Mike K. Boss

THE LITTLE BOOK

OF TRADING SECRETS



TABLE OF CONTENTS

PART ONE: LAYING THE BASE 4

Chapter 1. The Retail Traders Journey Starts With a Missing Piece of the Puzzle from the Very Beginning 5

PART TWO: PSYCHOLOGY 10

Mind Traps 11

- Mind Trap #1: 13
- The Psychological need to belong to a group. 13
- Mind Trap #2: 17
- The need to always be right - The problem of taking losses 17
- Mind Trap #3: 23
- Creating False Expectations 23
- Mind Trap #4: 26
- The need of having control over things 26
- Mind Trap #5: 28
- I need to make money 28
- Final words about the traps of the mind: 30

PART THREE: HOW TO SOLVE THE MIND-TRAPS 32

- The value of a trading journal 33

PART FOUR: GETTING PRACTICAL 36

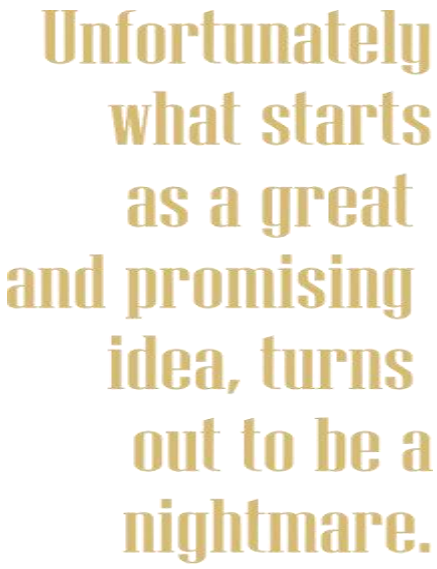
- Let´s get to work– Journaling 37
- and the Trading Journal 37
- Traders Constitution 41
- Your Trading Plan 45
- Your Trading Strategy 50
- Currency Traders Trading Journal Structure 53
- And what if I´m wrong? 68
- When you find a solution 69
- Time management and journaling 71
- Final thoughts 73
- The Story of Two Traders - The Smart and the Naive 74

FREE RESOURCES 75

PART ONE: LAYING THE BASE

Chapter 1. The Retail Traders Journey Starts With a Missing Piece of the Puzzle from the Very Beginning

Talking about RETAIL FOREX MARKET TRADERS, we all start our trading journey more or less same way. We gather some basic knowledge from friends, the internet, books or some Forex trading courses and we open a trading account and place our first trades. Of course we gain some basic information on how to, example; use trend lines, interpret certain indicators, how to interpret candlestick formations, identify support and resistance levels, how to use Fibonacci Ratios and other information that a Forex trader can use. We discover how to make a trading plan and build a trading strategy. All with the dream and expectation to make money! AND TO MAKE MONEY FAST! Agreed?



Unfortunately what starts as a great and promising idea, turns out to be a nightmare for most beginner traders. Most beginner traders over trade, over leverage their trades, flip flop between strategies, invent new, and better they think, systems, start to get creative at interpreting indicators and…. end up losing all their money in a relatively short period of time. So it´s NOT uncommon to have retail traders trying to be consistently profitable month-after-month for 3 years, 5years, 7 years plus. One of the students that asked me for help it was 13 years and still not consistently profitable. If you don´t believe me, send me an email to: mikefxboss@gmail.com OR say hello on SKYPE: Education Fxpassion. I will present to you the student that was trying to be consistently profitable for 13 years and still no success.

So here bears the question: How come that in a Profession that is a LEARNABLE SKILL, there is still today, at the writing of this Ebook, we are in the year 2024, there is still a 90% FAILURE RATE on Trading Accounts all over the world? Make no mistakes, I´m not guessing here, those record are public, part of the regulatory organs all around the world that a Broker must emit the number of losing/closed trading account for the year. By the way we are talking Accountants, Lawyers, Architects, Uber Drivers, Gardeners, Airline Pilots, Quantum Physicist and so on, I mean really really smart people trying to become a Professional trader. And still there is a 90% failure rate. Isn´t that strange? Well good news here: I CRACKED THE CODE HERE - I can explain you the WHY - just keep reading.

The most important thing that the majority of retail traders don´t know is that to make money in the Forex market you need to be consistent by sticking to your trading plan and your Trading strategy. Consistency can only come from habit. And here lies the problem. How can you create a habit of consistently trading your trading plan and your trading strategy? You could be thinking, “Well why wouldn´t they?”, right? Well for starters, YOU, yes YOU are not fully consistent at following a Strategy rules. And when I say “fully consistent” I mean 100% of the time. True or not true? See, we all know what we should do - but we aren´t doing it. Or as Jim

Rohn said, what is easy to do - is also easy not to do. Makes sense? So why wouldn´t you do something that seemingly makes sense to you. Well BECAUSE YOU ARE A RETAIL TRADER, THEREFORE YOU HAVE THE ABILITY TO “CHOOSE”, MAKES SENSE? Learn this for now: What is easy to do is also easy not do. More about that in the next pages.

Also, Isn´t it curious that the majority of the people spend a lot of money on courses, trading softwares, and computers? They buy an array of eight monitors just to follow the price action of several currencies at the same time, but they don't even think about keeping a Trading Journal to review what worked and what did not.

There is no shame in this, many of us have started the same way. Likewise we burn through several trading accounts and torture ourselves while trying to find the solution to our problems. It is normal and healthy to questione ourselves constantly; What am I not seeing that I should see? I have read all those books on currency trading, I watched a ton of videos, I purchased many trading courses and nothing is happening, I´m still not consistently profitable as a Trader. Why am I not successful yet? What is wrong with me?

Did you go through this? Can you relate to this? If yes, welcome to the club. That´s normal, so don´t beat yourself up, ok?

But my story goes even deeper. Listen to this: Even after dissecting almost every part of a successful Forex trader, from trading strategies and rules, to trading plans, to money management, to trading psychology, to brokers, to trading platforms, to technical and fundamental analysis, to motivation and patience, to entry and exit setups and to finding a successful mentor and joining a trading group, my trading results did start to improve, yes, but only marginally.

And here is how all turned good for me...I finally understood what the missing piece was. If I´m totally hones, I did´t get if from the very beginning. It took me some time. It took me 5 years. Why? Well here is the story:

I was an Institutional Trader until 2010 when I got out of the corporate world. I got out because I wanted to be my own Boss. I mean why would you work for someone else, right? That´s the dream, right? You go into a Financial Trading Institution, like an Investment bank, Broker or Hedge Fund, you learn what is to learn, get the experience, learn the business and then get out and start our own shop. I mean who wouldn´t do this? Biiiiigggg mistake if you don´t understand properly how this Business is done and what is the most important part of this profession. And that´s exactly what happened to me. I was struggling for 5 years as a Retail trader. So here is the question me and you can ask:

Why would a former Institutional trader struggle now that he/she went Retail? He is trading the same strategy as before, he is trading the same markets as before, yeah maybe he/she has a smaller account but everything else is the same,

wouldn´t you agree? You are Trading the same markets, you are the same person, and you are trading the same Strategy. Basically to comparing what you did and how you did it in an Institution everything is more or less the same (excluding the money on the account as we clarified), wouldn´t you agree?

So here is another great question to ask ourselves? Are we stupid or what? Was I stupid for 5 years or what? What´s wrong with us, right?

Well let me tell you a secret: NOT EVERYTHING WAS THE SAME! The very fact that I didn´t have a Boss that would bullshit me when I didn´t obey the strategy rules is one of the tiny “secrets” that makes a huuggeeee difference when you go Retail. Why? Simply because you have the ability to choose! What is easy to do is also easy not to do! You can obey your strategy rules OR you can “let is slide” ....just for today...ahahhahahaha. Can you relate to this?

ANYWAY...

During those 5 years of struggling and not being consistently profitable I KNEW that what was missing was NOT TECHNICAL! I knew this. ***THE REASON THAT I WAS NOT MAKING IT, IT WAS NOT TECHNCIAL***. If happened that you are in the same place, this is good news for you, pat yourself on the back because you are not stupid. So It was not the Trendlines, the Fibonacci and Ichimoku, The Trading and Charting Software and it was NOT THE STRATEGY that were the missing piece of the puzzle! As we talked about - the strategy was the same. Now this paragraph is difficult to accept as a reason for not doing well for 80% of people, for the student traders, for the aspiring retail traders that are dreaming to become professional traders and live from the markets. If you are asking , where does the “80%” number does come from is from my personal data. As I´m writing this Ebook in 2024 so I´m over 7 years as an Active Coach trying to help Retail Traders to become Professional Traders and CLOSE THE GAP between a Retail trader way of thinking and doing compared to an Institutional trader way of Thinking and doing. I´m going to tell you the truth, ok? Remember this is NOT generalized knowledge - those are my numbers from my students - 80% of my student traders are not making it, they became what I call “Pizza” traders. And the simple reason is that they DO NOT ACCEPT what I´m teaching them as THE TRUTH. Is simple as that.

Anyway, knowing that what was missing was not of technical nature I finally met one of my mentors, Dr. Van K. Tharp. He is gone now, God bless him be he was the game-changer for me. You can research his name on Amazon, you find some of his books. What is surprising is that most of his books are NOT covering technical Analysis at all. So I started following the man, join his groups and I went to every seminar he was holding if I could.

By the way those seminars were not cheap. People cry today because they need to pay a few hundred bucks, well I payed a few tens of thousand bucks to Van Tharp.

And being present to most of his seminars we start to know each other, basically he noticed me that I´m coming back again and again to the same seminars. Long story short FINALLY he asked me to see my trading journal so he can give some advice on what i´ve been doing.....and of course I said “Well....I don´t have a trading journal!”. I was thinking “….What the heck is a trading journal!” More specifically he asked me for the EMOTIONAL TRADING JOURNAL! SHOCKER! I was thinking to myself: “Whaaaattt? Aren´t emotions for little girls?” Aren´t teenager girls doing this - keeping and writing emotional journals?”

It might be shocking to you, you could not like it or you could not even agree to this BUT Starting a “Trading journal” is the last missing piece of the trading puzzle. When you are not consistently profitable after 3-5 years (with the premise that you have learned the right stuff in the right way) the Trading EMOTIONAL Journal is the missing piece. And don´t worry, no it´s not like you are going to journal your feelings like little girls - it´s not about that. But our way of thinking produce feelings and we tend to act (TRADE) based on feelings that we are not aware. That´s the catch. Did you ever feel angry, stressed, sad, stuck, negative, happy, joyous...This is what we are talking about. NONE of those emotions are good if you tend to REACT to those emotions when you are looking at a chart on your trading platform. Yes, not even the positive ones are good. Let me explain briefly: being over joyful when you trade this generally leads to a false sense of security that leads generally to over trading. Got it?

This book was written with a sincere intention to help you improve your trading results and to help you find the last missing piece of your trading puzzle. As you will see there is a lot more to a trading journal than just recording price action of some currency and an entry setup. By keeping a trading journal you will learn more about yourself and probably the most important thing you will learn about your trading habits. Habits are “automatic” behavior that we do without any conscious thought! We simply react to a situation. Does this makes sense? You will learn more about those “programs” (and they are literally “programs” running through your mind) in the section about ‘MINDTRAPS”. Learning from your good and bad habits you will be able to achieve more consistency in your trading. You are already consistent in your trading without knowing it. The problem is that you are likely just as consistent with your bad habits as you are with the good ones. That is the challenge of this book and the trading journal, to find your bad trading habits and replace them with good trading habits.

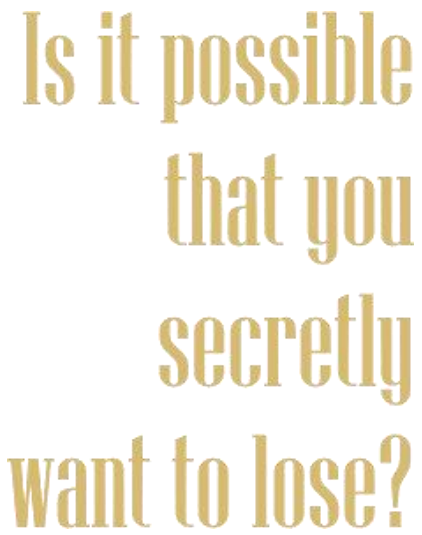
“Don't trust your memory.”

Mike - the FXBOSS

PART TWO: PSYCHOLOGY

Chapter 1.

Mind Traps



Unfortunately this type of psychological behavior actually exists. Self-destructive behavior can easily manifest itself in the minds of Retail traders, particularly among Day Traders since they tend to exercise the need for a result within the same day, and the markets offer a vast array of opportunities for self-sabotage as well as self-realization. This psychological tendency also exists with Swing Traders and Position Traders although it may not be as obvious. Often it is overwhelming for the Day Trader when prices are dancing around their eyes, and it seems the market is joking with them.

When this happens, it is time to LEARN SOMETHING NEW: Who are you? How do you think?

There are several self-destructive thoughts that in the moment of truth will affect your reasoning and the way you act as a Trader. Try reading T. Harv Ekers excellent book, "Secrets of the Millionaire Mind" He discusses how our thoughts influence how we react. One example he mentions is, If you subconsciously believe that you do not deserve to be successful or rich, no matter how many trading courses you take, no matter how many “Wealth building” videos you watch, no matter how much knowledge you acquire, no matter how hard you study and work, in the end you are going to fail. This is a difficult truth to swallow but unfortunately in the struggle between the subconscious mind and the conscious mind the subconscious will ALWAYS win!

So if you subconsciously believe that:

- you are not good enough,
- that you are too young or too old, or
- that money is bad, or
- that you do not deserve to be rich or prosperous, or
- that rich people are bad people, or

- that rich people only exploit others, or
- That if you make a lot of money you will lose your friends and people will start to take advantage on you, or
- That money is hard to get and that life is difficult, or
- that to make a lot of money you have to work physically hard and suffer.

I'm sorry to tell you but if you have any of those “programs” running in your subconscious mind (and those ARE literally “programs” - meaning - you´ve been conditioned to think and act in a certain way) you will secretly, subconsciously, want to lose money. AND THAT´S THE TRUTH! It´s also scientifically proven. Just read books like “PSYCHOCYBERNETICS” by Maxwell Maltz or “RELEASE YOUR BREAKS” by James W. Newman for a deeper understanding, better awareness and acceptance.

That`s right... without eradicating your negative beliefs about money and success from your subconscious you will secretly want to lose money in the market.

Van Tharp explain to me that Successful traders write extensive Journals. And this is why Retail Traders, especially in the beginning, when you are a beginner, intermediate or advanced Trader you should use a Trading Journal and work with it. Tharp explained to me that by diligently keeping a Trading Journal a trader can,

- Become conscious about their way of thinking (also called Mindset)
- Become conscious about their beliefs;
- Analyze their beliefs;
- Keep their emotions in check;
- Get less reactive to market movements and more process based
- Correct the bad behaviours that are affecting their success;
- Critically evaluate their decisions, and so on and so on and so on...

> There are a lot of good books out there to help you to recognize and change your negative beliefs into positive beliefs. The purpose of this book is not so much to dig into the subconscious mind but rather to provide you with the tools that will try to prevent the mistakes that all people consciously or subconsciously do and to expand your awareness about the psycho-emotional issues that most Traders have. Although each of our beliefs are personal and different from one person to the next, we all have so-called “Mind Traps”, the general beliefs that our society impose on us and which we internalize and accept as the “truth” without realizing it or without our conscious awareness meaning we were not aware about the “programming the mind” process, how could we, we were just little children when this process took place.

We all have different stories and life in different parts of the world. So our “story”, our “drama” might be different but psychologically, when it comes to trading we are ALL THE SAME! You don´t believe me, do you? Well keep reading! It might surprise you what you are going to find out about yourself and the “mindsets” that have been literally programmed into you. Good Luck!

Mind Trap #1:
The Psychological need to belong to a group.

The greater the uncertianty, the stronger our desire to adhere and follow.

Psychological concept to internalize: Success in Trading is personal.

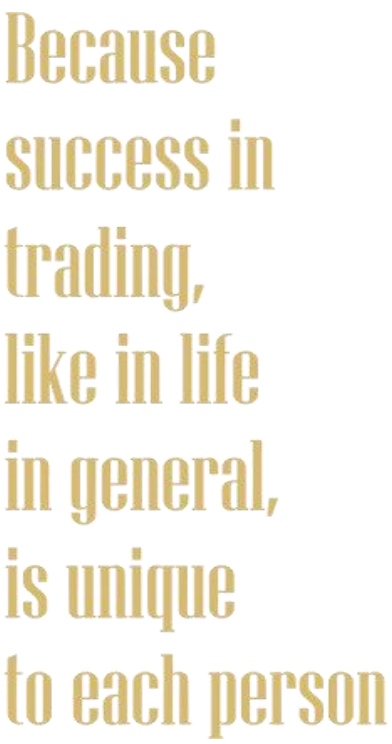
This is nothing new that In our “traditional” society we have been programmed to crave the acceptance and affirmations of others. We want that other people like us, we want to be part of the pack, we want to belong to the successful group that we identify with, yes as adults too. What you might not know is that this process starts in school already. We want to join groups and be led by the group “leaders” we admire. Primary school, High School, College is all the same. You want to be part (or you wish to be apart) of a group, of a team. True or not true? And that´s ok, nothing is wrong with that.

But from a psychological aspect when someone tries to become a Professional Trader, more specifically a RETAIL PROFESSIONAL TRADER, and they have their first experience in the market they instantly start to feel, consciously or subconsciously, insecure. They quickly realize they can neither predict nor influence the market. Even when a Retail Trader has a lot of experience, and he/she knows that he/she doesn't have any kind of power over the markets, they still feel insecure simply due to the uncertainty of the markets.

And here is the subconscious trap. The greater the uncertainty, the stronger our desire to adhere and follow. This is why people at the beginning join different trading and/or analytical groups. They join Facebook Groups, Instagram Groups,

Youtube groups, WhatsApp Groups, Telegram Groups, Discord Groups. They are searching for pals, trading buddies, gurus, expert advisors, robots, different Indicators and trading softwares. Just to be clear - this is all normal behavior, we are not judging anybody, I did this too. The important thing here is to learn about ourselves that the reason of why are we inclined of doing this is that we need to receive that psychological-emotional relief. “Better to be in a group” or “better to be part of this successful group” is the mindset here. In 2024 at the moment of me writing this book there is a new great quote - “Your NETWORK is your NETWORTH”. Wow! Nice! Super cool. But unfortunately ,this quote doesn´t work in the Financial Markets when it comes to trading or specifically when it comes to the Trader performing in an environment of uncertainty where nobody can predict anything with 100% accuracy! And that relief, unfortunately, has a dangerous name. It´s called “A False Sense of Security”. There is another reason why we do this called “I don´t want to be responsible for the losing trades” but this mind-trap is for the next book that I´m writing.

What we need to understand is that this primitive drive for security is totally normal. Being part of a group was essential for survival in prehistoric time. This still holds true in some situations. For example joining a union can help a disadvantaged person receive fair treatment in their job. But in the world of Trading this doesn´t work. The financial markets are different. Simply joining a group is not going to make you successful. Why?



Please don´t get me wrong. There is nothing wrong with joining a group to learn or to seek knowledge. This is totally positive. However, joining a group for the purpose of following, emulating, and copying others in the group, whether it is the leaders or the members, is not going to cut it. Why? **Because success in Trading is personal! Meaning - I´m responsible for what I do, good or bad, I´m responsible**. So I cannot make Trading decisions based on other people´s market views, other people entry “signals” and then secretly blame them or blame “the group” when things go wrong, makes sense?

I had a student once who would not listen to me (by the way this happens 80% of the time, 80% of my student traders don´t listen at first). Then I made a deal with him. Let´s call him John, ok? I told John “John, if you find a Trader or two, in the Facebook Group (which promotes itself to be “successful’), who can show you that are consistently profitable for at least 6 consecutive months then it´s ok. You can learn from them.”

Long story short, It was a popular group with more than 2000 members. So I suggested to this novice trader that if he finds a member who was consistently profitable so that he could “learn” from, not follow, him. Listen to this: John could NOT FIND not even 1 out of the 2000. John couldn´t find one person who was consistently profitable. And this is the problem TODAY with so many groups. And you know it´s true!

You need to understand and get aware that YOU need to grow as a Trader if you want to become an INDEPENDENT PROFESSIONAL TRADER. You need to grow. So how does “you need to grow” combine with “I´m following and copying others”? It doesn´t work right? You need to choose. And I know some of you are going to tell me that you have issues and that you are losing most of the time but try to understand that when we talk about growing as traders (Learning the correct Skills in the correct way), you lose your independence when you rely more on other traders, trading gurus, or robots, than on yourself. When you do this you stop follow your own trading plan. One of the worst habits you can create. If you notice this behaviour try to return to your learning and to your plan. Try to reflect calmly and ask yourself, if you are trading because you have found the right setup (based on YOUR strategy and YOUR trading plan) OR because you are following the analysis or a hot tip from someone else. By the way I´m teaching this in my AITP - the Advanced Institutional Trader Program, also called FX202.

Perhaps following a mentor initially is a good idea but only until you find your way. Be sure to follow their “teaching” not their “trades” or “trading plan”. Review their trades but do not select them blindly because they are in them but rather, because it matches your understanding and your analysis of the trade. Make it your own. it is very easy to fall into the trap that “they know more than me” therefore this MUST be a good trade. But you can not understand the intricacies of the decision they used to select that trade, and therefore will not know how to manage that trade once you are in.

Me being an active Traders Coach for the last 7 years I developed a new concept when it comes to “borrowing” a strategy or copying it. It goes like this:”YOU CANNOT UNDERSTAND A STRATEGY (aka make money from it) UNLESS YOU UNDERSTAND THE MINDSET THAT FORMED THAT STRATEGY! I have my strategy and my strategy has a proven Edge. I give my strategy openly to all of my student traders. My strategy is also nothing special as there is no Holy Grail strategy, it doesn´t exist. But I have been using my strategy for the last 15 years and my strategy makes ME money. Guess how many student-traders make money with my strategy in a group of 100? Just Guess! Two percent! Only 2%! Only 2 people out of a 100 are able to make money with my strategy. And remember my Strategy has a proven Edge. Why is that? Are the 98% stupid? Of course not! BUT ”YOU CANNOT UNDERSTAND A STRATEGY (aka make money from it) UNLESS YOU UNDERSTAND THE MINDSET THAT FORMED THAT STRATEGY!

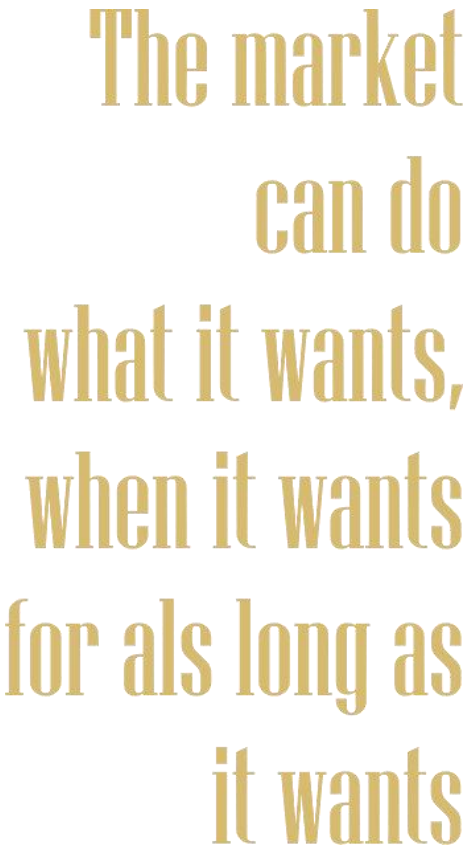


The most difficult psychological hurdle to overcome in becoming a profitable and successful Trader is to learn, recognize and **accept that success is personal.** ***This means that we must take personal responsibility for the good things that happen to us and also for the bad things that happen to us because we alone create our reality in the markets***. The way we create the reality of our lives, is the same way we create the reality in our trading. Again, read the book "Release your brakes" for better understanding! No one has power over us, on how we think, on how we feel and how we act. We are responsible for what we create in life and where we fail.

As Dr.Kappas said, "We create all of this! We create our successes and we create our "DRAMAS". If you want to become a Professional Trader, then you need to grow up in understanding that success and failure is not a result of other people, nor the government, nor your cat and nor even your God. You and you alone create all of this! By the way, you are not alone in this. The same concepts and rules applies to me and other Professional Traders. So heads up and stop the blaming game!

Mind Trap #2:
The need to always be right - The problem of taking losses

Internalize this Psychological concept: Risk management will protect us from the unpredictable markets



The reality of the financial markets is that the market can do what it wants, when it wants, for as long as it wants. This is also an Important concept to keep in mind when we trade.

Professional traders know that there are no guarantees in the market and past profits are no guarantee for future profits. Nobody in the world knows 100% where the market is going to go from one day to the next, not even from one hour to the next. Yeah, all right, we can SPECULATE but no one is going to guarantee you 100% in what direction the market is going to go in the next 15min. This is simple to see. If it was so easy to predict the markets, everybody would be rich already, agreed? However statistically we know, the failure rate in trading is 90% WORLDWIDE! (By the way, those records are public. You can research this if you want.)

This means that out of every 100 traders, only 10 are going to do well enough to generate a sustainable income from trading. Of course there are plans, studies and forecasts, but no one can say with absolute certainty that they know where the market is going. If they would, they would be billionaires by now,

agreed?

Here is the process on how this “program” was installed in us: The psychological problem of the mind trap presented here is our **subconscious need to be right.** All of our life, from when we were children through to adulthood our beliefs were always built around what was right and wrong. Especially in school, where we spent most of our time. The teachers and the school system in general were worshiped by the students as the people who were "right." If you were right on the test, you scored high, if you were wrong, you suffered the consequences at school and at home.

Unfortunately the concept of “being right" does not always work in the markets. As one of the most renowned speakers on the psychology of trading, Dr. Van K. Tharp, explained in his book Trade Your Way To Financial Freedom, “...What you believed about value and your reasons for believing it may be of the highest quality, but if the market does not share your belief, it doesn't really matter how right you are based on your superior reasoning process or what you believe to be the quality of your information, because prices are going to go in the direction of the greatest force…” WOW! Isn´t that true? The point here is that the concept of right and wrong as you may traditionally think of them do not exist in the Trading financial markets environment. Academic credentials, degrees, reputations, even a high I.Q. do not make you right in this environment as they would in the “traditional” society. Movement creates opportunity to make money, and making money is what trading is all about. As a trader, you have to decide what is more important, being right, or making money, because the two are not always compatible or consistent with one another.

The need to be right is a major psychological hurdle in trading. In our society, in our environment, we are paid and respected when we are right. The Market works in a different way. Try to be conscious that your need to be right is based on ego, and decisions based on ego rarely work out well. Unfortunately, like it or not, this is the general behavior of Retail traders who wants to be (consciously or subconsciously) right when entering the market. The sooner you recognize this need, the sooner you can deal with it.

You might be arguing that this makes no sense - “of course I think I´m right, if I wouldn´t think that I´m doing the right thing I would not even consider entering the market”, right? No, it´s NOT THAT. Learn this: *MAKING MONEY IN THE FINANCIAL MARKETS AS A TRADER HAS NOTHING TO DO WITH YOU BEING*

What is more important?

Being right?

or

Making money?

RIGHT OR WRONG AND HAS ALL TO DO WITH EDGE! IN OTHER WORDS, MAKING MONEY IS NOT A FUNCIONALITY OF BEING RIGHT OR WRONG, IT HAS NOTHING TO DO WITH THIS AND ALL TO DO WITH PROCESS! You will learn all of this in the ADVANCED INSTITUITONAL TRADER COURSE!

I know it sound strange in the beginning and it doesn´t make a lot of sense to you. I understand this. But this is because you are still thinking as a Retail trader. Did you notice during reading that I used a lot of times the words "RETAIL TRADER"? This is because all of those issues are a Retail Trader Issues. We, the Institutional Traders were groomed quite differently. Our mindset from the very beginning is quite different compared to a Retail Trader way of thinking. Does this make sense? 99% Of Retail Traders believe that they are making the money and they believe that just becuase they made a winner or two that they are doing the right thing. HUUUGGEE DIFFERECE IN UNDERSTANDING ON HOW MANYS IS PRODUCED IN THE FINANCIAL MARKETS! We the Institutional traders know that what makes the money is the EDGE. If your Strategy doesn´t have a statistically proven Edge you will never be consistently profitable at trading, I mean ever! So pat yourself on the back and RELAX because it´s not your fault. You just never learned the "secrets" of how an Institutional trader understands Trading, Making money and the Trading Business. Those things are NOT TAUGHT online. You have NO Youtube or Tiktok videos to watch. But believe me, Once in the ADVANCED INTITUTIONAL TRADER PROGRAM (also called FX202) everything and anything is going to start to make sense to you. You can watch some of the FX202 videos on my Youtube Channel! Don´t get excited - I´m showing you only a glimpse. Anyway here is the channel:

https://www.youtube.com/channel/UCS9cZsSnzLJh0_W8PLptWwQ

Talking about the Mind-Trap nr.2 - what is the consequence of having this Mind-Trap? What do we do when we want to be right?

- We increase our Stop Loss so as not to be caught by the market just as we are about to be proven right. But What happens in reality is that we dramatically increase our losses without noticing it. We draw-down our trading account subconsciously;
- Or we enter into new trades, doubling down, trying to force the market to go our way just to show that we are right;
- Or we refuse to cut our losses when we should, hoping that the market is going to reverse and we will eventually be right. Hope by the way, is not a valid strategy.

The result of this will inevitably be losing a lot more than we should or all of our money, because we fall into the mind trap of the need of being right all the time!

Try to understand this. As much it appears natural and normal the need to be right is a psychological barrier, It is a bad trading habit. This habit can become so "natural" that we may not even notice when it happens. Did you burn your account without knowing why or how it happened? When you tried to remember how you burned your account what happened? You couldn´t remember, could you? Were you trying to be right, again and again? Trying to force the market to go your way? In the end…what happened…? You burned your account without even knowing it. Or when you become aware that "something´s wrong" it was already too late. Isn´t that true?

Professional Traders know that there is no 100% guarantee on any trade. There is no Trader in the world that has not suffered losses. The best in the world, the Top Traders are only right 70% - 80% of the time. Of course this means that 20% -30% of the time they are WRONG. **And the only tool we have to protect ourselves, when we are wrong is called Risk Management**. But most of Retail traders don´t even understand RISK. They believe they do but when it comes time to perform on the job they don´t understand RISK at all and that´s why they get emotional. By the way in the FX202 we have an extra Course called "LEARN HOW TO UNDERSTAND RISK!" that helps Retail Traders learn like an Institutional trader.

Anyway, the difficult part of risk management is the understanding that correctly managing RISK means that you are prepared for loses, you accept losing trades when the market is going to tell you that you, yes YOU WERE WRONG, and you are proactively taking losses where necessary and appropriate. "Ouch! But I don´t want to lose!', you might be thinking. Well then you are NOT accepting the RISK, makes sense. **And until you accept the RISK is impossible for you to make money consistently. RISK IS THE TWIN BROTHER OF PROFIT!**

Another authority on the subject of Trader´s psychology, Dr. Aleksander Elder explained well in his book Trading For A Living,

"The inability to accept losses is one of the worst pitfalls in Trading. Beginners freeze like deer in the headlights when a loss begins to clean the profits of many good trades. It is a general human tendency to take profits quickly, but to expect a losing trade to return on our way. The moment the desperate amateur gives up hope and closes his Trade with a terrible loss, his account is very, and sometimes irreparably, damaged.

Stubbornly holding a losing position will only deepen the wound. Losses can take the form of a snowball effect until what initially seemed a bad loss begins to look like a bargain, because the current loss is much worse. Finally, a desperate loser accepts the reality and closes the deal, leading to a severe loss. Soon after he closes the trade, the market reverses and comes roaring back. The Trader is ready to crush his (or her) head against the wall - if he(or she) had persisted, he would have made money. Such reversals happen over and over again because most losers respond to the same stimuli. People have similar emotions regardless of their nationality or education. A frightened Trader with sweaty palms and beating heart feels and acts the same way, whether he grew up in New York or Hong Kong and whether he had 2 or 20 years of schooling.

Stubornly holding a losing position will only deepen the wound.

Remember: even the best business deals, the best trades, can go wrong because of the randomness in the markets. Even the best analysis and entry setup, even the best trading systems cannot prevent losing trades.

Anyone who does not admit that he/she is wrong, and who needs help will probably burn their account, will be quiet, will hide the loss and will fuel the account with new money just to lose the whole invested money over and over again." By the way I did this too.

The reality is that if you cannot make consistent profits for at least 3 consecutive months and, if you do not know how to explain how you made money and how you lost money in a way that a person who does not Trade can understand, then you need to practice and study more. **Talking about a specific trade going wrong - the sooner you admit that you're wrong, the sooner things will change for you.**

The concept that you need to internalize is that there is nothing wrong with making mistakes, no one is perfect and everyone misses. What is wrong is to not admit your mistakes. If you do not admit your mistakes, How will you grow? How will you learn? How will you evolve? If you are always right why would you study, grow and evolve? You don´t need this, right? Of course not! You are always right!

Think about it!

One last time: If you don´t accept that you could be wrong - then - you don´t accept the RISK (RISK is not what you think it is - the Acceptance of RISK is an EMOTIONAL skill, NOT Technical. More about How to Accept the RICK in the FX202), and if you don´t accept the RISK = NO MONEY FOR YOU! NEVER! RISK acceptance is one of the big challenges for Retail Traders who were NOT properly groomed and were not correctly introduced to Risk and what Risk really is. One of my student traders has bought a 1 million prop. Account. But because he never accepted RISK - he never made significant money. He became a “Pizza” Trader. So see, if you think that big accounts or big money is going to solve your problems, I´m here to tell you, it won´t. If you think or believe that for you to get rich you need to Trade a Million Dollar account...you are right. But what you are missing is the word “in the right way”. For you to get rich , yeah, you need to trade a Million Dollar account but you need to trade it in the right way, in the correct way. And without RISK acceptance is practically impossible to Trade a trading an account in correct way! Makes sense?

I promise you, BIG ACCOUNTS are not going to solve your problems until you learn about RISK!

Mind Trap #3:

Creating False Expectations

Psychological concept to internalize: I need to have (or create) Real expectations about Learning & Trading

In our modern world there are a lot of false expectations. One of the false expectations is that our IQ, our diploma of graduation, our MBA or doctorate degree will guarantee us a better future, a bigger salary and/or help us make money in the financial markets. Now, I´m not saying that graduation is not important, as a matter of fact is VERY IMPORTANT. What I´m trying to say here is that in 2024 a successful "TIKTOKER" or a successful "YOUTUBER" makes much more money that the other "traditional" successful professionals. Maybe in the future but so far we don´t have Universities that make you a successful "TikToker" or a successful "Youtuber", just an example.

And the same is true in the Finacial Markets when it comes to Trading. Wether is the Stock Market, Options Market or the Forex Financial Markets, our MBA is not going help us. There have been countless examples of doctors, lawyers, Architects, Entrepreneurs, Airline Pilots, Accountants, Movie Start and even Quantum Physicists and other successful professionals entering the area of financial markets because they thought that if they were successful in their area (their job) then they are also going to be successful in the Financial Markets. There is a reason why the incidence of failure of those who try to become Professional Traders is 90%.

The incidence of failure of those who try to become professional traders is 95%

Worldwide, among all the people who will try to live (earn an income) from the FX market, only 10% will succeed. This is the reality. The numbers do not lie. So we need to create realistic expectations. For example; "it's not going to be easy, that we are going to make mistakes along the way, that it will take some time for me to become a Professional trader, most likely some years,

like in any profession." Those are just a few examples of Real Expectations.

When we delusionally start to think that we can study how to trade the markets and how we will get rich within 1 year we are creating a false expectation. Look around you, check out those that are supposedly trading for a living, ask them to show you their real accounts and see how far they have progressed and how long it took them.

One day one of my friends asked a brain surgeon how long took him to become a brain surgeon? Answer: **16 years**! So the question is…. If everybody knows that it takes 16 years to become a brain surgeon then why do people think it will take a year or less to become a successful Trader? It doesn´t make any sense to me?!

Also Remember*:* Trading is one of the last "mind games". There are few professions that are more challenging than becoming a professional trader. So be careful not to create false expectations!

What would be a "real" expectation for a Retail Beginner trader who is just starting out. Well based on my experience, it´s going to take to the Beginner Retail traders somewhere between 3-5 YEARS to show the first consistency in Trading. Bear in mind that I didn´t even mention "making money"! 3-5 years to show the first signals of consistent trading and that´s on average. Some people go for 5 years, 7 years with the premise that you have learned in the correct way!

You could be trying for 10 years without being aware, that it´s not your fault, that you are not making it for that long, but you are also unaware that the reason that is taking you that long is that you didn´t learn in the correct way. **It´s NOT uncommon for Retail Traders to try becoming consistently profitable for 5-7-9 years plus with no results and just because they didn´t have the correct knowledge.**

Let me give you an example of the "correct" knowledge: Quality in trading is more important than quantity! I keep repeating that the Financial Markets are upside-down in many aspects! This is one! Quality comes before quantity! You could be saying to yourself that this is not a big deal, that you do understand this. Well the question is how are you programmed, makes sense? If you are in a traditional Business then you tend to think that quantity comes before quality. Sure, both are important but quantity comes first in the Traditional businesses. No?

Well, let´s see. If you are selling cars, what do you want FIRST? Quantity - you want to sell as many cars as possible, agreed? If you are selling shoes, what do you want FIRST? Exactly! Quantity first, you want to sell as many shoes as possible. Yes yes, both are important of course but in the Traditional Businesses Quantity come in front of quality. If you have a Pizza Restaurant what do you want FIRST? Do you want to sell as many Pizzas as possible every single day, or do you want to sell just 1 or 2 of your exclusive, premium, on demand, Pizzas that cost 4 times more compared to the "normal", "traditional" pizzas that you sell? The premium on demand pizzas are worth the money but 90% of your clients are what is called the "traditional" customer. Quality or Quantity FIRST? If you decide to focus on Premium On Demand pizzas you are most likely going to bankrupt. What if you own a Franchise? What comes fist? EXACLTY! QUANTITY AGAIN! And that´s totally fine, that´s ok, this is how traditional business works.

Now LEARN THIS: The WHY of why you ARE going to have issues when you come to the Trading Table is exactly because that you are in those environment for 23hours per day. So is any surprise to you, when you come to the trading table that you are going to have some issues? Most people don´t understand this part of trading when it comes to learning how to trade!

Your “program”, you habitual way of thinking, your mindset is not going to dissapear just because you are now in front of a Trading Platform. This is just one tiny simple example why it could take you from 3-5 years, or to any Retail Beginner trader for what matters, to show the first signals of consistent profits. The Financial Markets work upside-down in so many aspects you cannot imagine. You will learn more about those in the ADVANCED INSTITUTIONAL TRADER PROGRAM!

Mind Trap #4:
The need of having control over things

Psychological concept to internalize: Having control over people, circumstances & things is an illusion

Feeling and thinking that we are in control of something gives us the feeling of security and the feeling of being safe

We learn early in life, that in order to succeed we need to have exert a certain degree of control (I know what is going to happen next) over external factors and life in general. We usually learn this concept as we grow up and the truth is we actually do have some degree of control over our life. So when we are young, we are trained to study hard enough so we will have good grades. We also learn while we are young that we can "manipulate" people (even when we were babies) to get those things we need and want. When we become adults we enhance our leadership skills that also give us a certain degree of influence (aka control) over those around us and the factors influencing our life. Everyone likes to feel that they are in control of something. Because feeling and thinking that we are in control of something gives us a feeling of security and the feeling of being safe. As we said, is one of ours primordial impulses.

However all these are merely illusions. Of course, we can influence people, we can influence the meetings, we can influence the relationships, we can influence the outcome,
but to state that we have control over that outcome... that is a completely different story.

Just to clarify, what we are discussing here is the difference between influence and control. When you say that you have “control” over something or somebody that means that you are 100% certain about the outcome, about the end result. In the case of the markets we are clearly shown, time and time again, that we have no control over any moves in the market. Furthermore, aspiring traders often lack patience and want to control time, which is even more elusive. Again the market can and will clearly demonstrate this.

The market can do what it wants, when it wants, for how long it wants.

In the end we must humbly accept that we do not have power over the market. Now for the good news. There is one thing to which we have absolute control. That is correct,. Ourselves. We have absolute control over how we think and as such our brain gives us the ability to exert complete control over what we do, and with practice, control over how we feel and act on those feelings. In Trading this is important because instead of trying to force the market to go in a particular direction, which we all agree is impossible, professional traders know, that the one think they can do is wait for the market to position itself the way they want. If they don't find an entry-level, or an entry setup, they wait or find another opportunity. This is where we have control.

Remember: We must have control over ourselves and stop deluding ourselves that we have control over other things. And if we do not have control over ourselves the game will be lost before we even start.

But having control over things becomes extremely visible when we see aspiring Traders building their strategies. The need on being control is the twin brother of the need of being right. Retail traders tend to over complicate strategies and processes just because they don´t understand that they can´t control the markets and they can´t control how the strategy is going to behave inside those unpredictable markets. So when a retail trader has a loser or two starts to do what? Exactly! Changing strategies again. When a Retail traders sees that he missed an opportunity or two what does he do? Exactly! Changing strategies again. So now you can se how this mind-trap works well in the traditional world but it goes completely against us in the Financial Markets when it comes to strategy forming and trading. More about that in the FX202.

Mind Trap #5:

I need to make money

Psychological concept to internalize: <u>Money is a consequence of a well- executed Strategy that has an EDGE and not the reason to make the Trade.</u>

How many times did I hear “I need to make money, I need to make money, I must make money...”. Ironically, every Retail trader at the beginning thinks that our goal is to make money. At first blush this seems logical. But the GOAL should be to execute good trades because money is a consequence of profitable trades. If we execute high probability trades we will make money, if we execute low probability trades we will lose money. It is as simple as that. Learn to understand that executing a trade has nothing to do with money. This is a fundamental concept that needs to be internalized. The money will come in or out of our pockets as we trade.

Trading has nothing to do with making money! Here is a good starting point of what it does have to do with;

- identifying high probability patterns
- the right setup before entering the market
- obeying our strategy rules
- Collecting samples
- Psychology / emotions
- indicators
- strategies and
- other things that increase our probability of a trade to be a winner.

Nobody knows for certain if a trade is going to be a winner or a loser, so we must work and concentrate on trading correctly and improving our skills to the point where money no longer influences our emotions.

The GOAL is to execute good trades

... Money is mearley a consequence

So this is one of the big ones when it comes to Retail trader Trading. The Retail trader thinks and believes that he is making the money and if the market moves up that he/she should by the market. He also believes that if he/she is losing money that he/she is doing something wrong and/or the strategy doesn't work. In comparison an Institutional trader knows that MONEY IS A CONSEQUENCE of a well executed strategy that has an Edge. The Professional trader doesn´t feel anything and doesn´t think anything when winners or losers present themselves because money is a consequence of a well executed strategy that has an Edge. The EDGE is what makes the money - not the Trader. The trader is just executing the

Strategy. Is there a difference in mindset between a Retail Trader compared to a Professional Trader? You bet!

Final words about the traps of the mind:

So as you might have figured out there is good news and there is bad news. The Good news is that the “Mind Traps” were programmed into you with repetitive behaviors and or rules and it´s not your fault to have those “Mind Traps”. The Bad news is that you have them and they are complicating your life when it comes to learn how to trade as a Professional Trader. Another good news is that you can re-program the program, you can eradicate those mind traps and change them, meaning you can learn how think, feel and act as an Institutional trader so that you can become a Professional trader too. Unless you change and/or eradicate those “mind traps” you won´t be in peace with yourself. And traders who are not at peace with themselves often try to fulfill their contradictory desires in the markets resulting in self-sabotage. It is imperative to know who you are and where you are going, if not, you will end up somewhere you never wanted to be.

Successful Traders humbly know their skill levels and their limitations. They take calculated risks after analyzing market patterns. They inevitably take losses, however the wins out strip those losses.

The Amateur Trader demonstrates arrogance and develops strange ideas about the markets. They take losses, and watch money disappear from their account. Fear, greed, or other emotions drive them to will markets in a particular direction where hope and other unproductive emotions replaces logic.

When we don´t know who we are and what we want. The universe will fill in the blanks for us and likely fill it with what we should have known we do not want.

The universe will fill in the blanks for us and likely fill it with what we should have known we do not want

As Dr. Alexander Elder, author of the phenomenal book, The New Trading for a Living, wrote:

> *"After practicing psychiatry for decades, I became convinced that most failures in life are due to self-sabotage. They fail not because of bad luck or incompetence but to fulfill an unconscious desire to fail. Your success or failure as a Trader depends on your emotions. You may have a brilliant trading system but if you feel arrogant, scared or upset , Your*

account will suffer. "

Elder then continues

> *"In trading, you compete against the sharpest minds in the world. commissions and slippage put the field against you. Now, moreover, if you allow your emotions to interfere with your trading, the battle is lost. As one of my friends always says, "It's hard to know what the market will do. If you do not know what you're going to do, the game is lost." And having a good trading system is not enough. Many Traders with good systems fail because psychologically they are not prepared to win. "*

It takes a lot of courage and being adult enough to take responsibility for our failures and look within ourselves to find the causes and answers about our failures.

We can see the behavior of the losers in any area of life. They are never responsible for their failures, they always blame others for their financial failure, professional failure, health failure, relationships failure, it's always others fault. The government is guilty, the neighbor is guilty, the wife or the cat are guilty, the children are guilty, the parents and the companies are guilty... in the end it's God's fault! If we want to come close to becoming a profitable Trader, we need to stop blaming bad luck or other people, stop blaming the trading systems or strategies for our losses and take responsibility for our results (good OR bad). Just stop with the BS!

> **Remember**: Surround yourself with winners and free yourself from the losers in your life! Don’t let them pull you down, and don’t let them enable your blame game.

PART THREE: HOW TO SOLVE THE MIND-TRAPS

Chapter 1

The value of a trading journal

When we lose a lot of money, we begin to delude ourselves.

Many times one of the biggest problems Retail traders face is self delusion. When they lose a lot of money, they begin to delude themselves with the phrases like, "If I just had more money in my account"... "The next trade will solve all things"... "All I need is one big trade to become a millionaire "..." Next time I will do things different "... etc.

Now, one of the most efficient ways to defeat these delusions is to create a Trader's Journal. And it´s an EMOTIONAL journal. And it´s YOUR Journal! Why? Because It is easy to see a setup and take a position and then close it when we **feel** it is appropriate (not based on logic or strategy rule), with a loss or a win. However if we are trading exclusively from our mind, over time it will become impossible to remember why we took a trade or why we lost one and we can delude ourselves, by filtering out what we do not want to remember. After all it is only human nature to do so. Be aware that our brain will accept all that we tell it. However, when we have a trading journal, a log of what we did and why we did it written at the time we did it, we are force to discard any delusions we have been telling ourselves as we will see our own truth laid out in front of us. By writing down our trades, our thoughts and feelings when we were taking the trade, we eliminate our ability to lie to ourselves and our beliefs become fact to which we can not ignore. In other words

A trading journal will help you to start to think and analyze your trading from an objective perspective.A Trading Journal is a STRUCTURE upon which you can improve.

A good example is this phrase that an unsuccessful trader will constantly repeat to himself. "next time I will do it differently". However if we are using a trading journal, the Journal will clearly show to us that we are repeating the same mistakes over and over again.

This delusion that we keep repeating that somehow next time “we will do things differently” will disappear. We will get conscious about the problem and start searching and analyzing our bad habits in order to improve and actually do it differently. In the end, you need to be aware of your tendency to tell yourself a story, to excuse yourself, ultimately to “lie” yourself. If we are left unsupervised we will be our own worst enemy. Think of the journal as our supervisor, our oversight, forcing us to be honest with ourselves.

What is the big value of having a trading journal? What are the purposes and functions of keeping a journal? Well one of the main functions of keeping a journal is USING a journal. Some of the unique characteristics of a journal is that it helps you;

- Figure out your trading
  - your trading habits
  - your daily trading routine
  - your emotional responses
  - your methodology
  - your strategy and systems, to figure out
  - your mindset
  - Your Attitudes
  - Your dilemmas

But most important of all it helps

you

Figure yourself out by writing things down.

Writing about your trading problems, market circumstances that occur, and your emotional responses will help you clarify exactly what is happening with your trading. When you describe your trading life just in your mind, your imagination tends to distort the information on how things are positive or negative. But when you describe your trading on paper the information becomes more factual, more accurate and more realistic. That is why throughout this book the sentence “***Don´t trust your memory***!“ is constantly repeated.

When you re-read your journal, which you should do on a regular basis, you will discover things that you were unaware of until that moment. You will discover things about yourself that you never knew existed.

Once you finally see things as they are rather than as you think they are you can then start the process of improving your trading habits.

The incredible value of a trading journal comes from recording your trading experiences.

Remember this journal is YOUR journal. And because it is your book you can use it to satisfy your preferences. And because it´s your book you can write anything you want in the way that you want. In the beginning the only thing that matters is that you develop a Journal HABIT. Buying a Journal (or making it in a Word document on your PC or Laptop) is the easy part, the real challenge lies in using it consistently. And remember, journaling should not be purely an intelectual exercise. You should journal with the genuine interest to auto-discover yourself. You know you are not stupid, right? So auto-discover your habitual ways of thinking and feeling that produces that outcomes in your trading that you might or might not like. Believe you are not alone when you say to yourself “Gosh, I know what I should do but for one strange reason I didn´t do it?!”

USE THE JOURNAL! EVERY DAY! EVERY DAY! EVERY DAY!

So what should go in a Journal? Well as we said the journal is your book so basically you can include all the information you want. But from a Trading perspective you should put in a Journal things that help you improve your trading results. It´s essential that you understand that what has more relevance for your growth is not the entry setup but the THINKING AND FEELING PROCESS that occurred before and during trading, makes sense? Call your friend who is NOT consistently profitable and ask him/her to show you his/her Emotional trading journal. I have a crystal ball in here - They don´t have it. They might have a purely Technical Journal but they don´t have the Emotional Journal. Wanna bet?

This book will give you some examples and explanations on how to journal your trading days. Technically speaking we can have the same challenges, like how to find support/resistance levels or how to correctly spot a trend. However, when it comes to emotional responses it is a whole different story. Everyone will react different in certain situations, so this part, the emotional part, is unique to each trader. Because every trader is unique and so is his trading, in the end only you can decide what is best for you.

One last thing, There is no such thing as a perfect trading journal. A trading journal is a living book. It is not a static piece of paper but it should breath, grow and evolve. Now you have probably come to the conclusion that a trading journal will become a mirror of yourself and your trading. Periodically we must look deep into that mirror and be honest with ourselves and keep in mind that when we change and grow, our journal will also change and evolve as should our trading results.

PART FOUR:

GETTING PRACTICAL

Chapter 1

Let´s get to work– Journaling and the Trading Journal

"Failure more often than not is attributable to lack of information about how to succeed"

Lets first try to explain why having a Trading Journal is essential to becoming a professional trader.

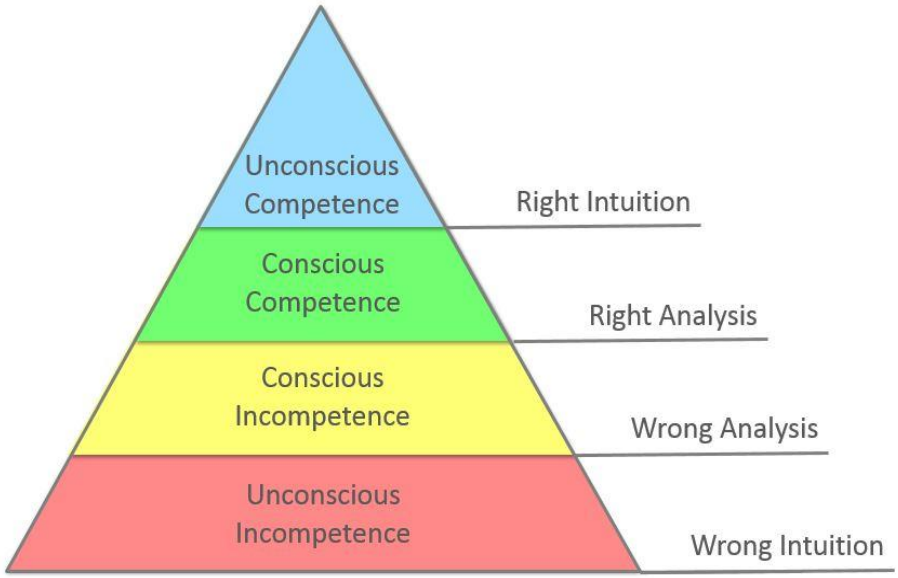
Remember, a Professional Trader is a trader that is consistently profitable.

The main benefit of having a journal is to collect the data you need in order to improve your trading systematically. That data will be available for you to review the moment a trading opportunity presents itself. I.E. the next trade setup. You can do or invent your own style and system of journaling but if the journal you create does not allow you to record and collect data simply and systematically it will be of no use to you. If the trading journal is structured correctly, you can review your ideas and solutions whenever you want. For your journal to have the most value it must be constantly reviewed. ***Writing in a journal is just collecting information but it is by re-reading your journal, especially the bad trades which come from bad trading decisions, which come from bad thinking and feeling which come from bad analysis, which come from bad or wrong thinking or perception, is when you begin the process of translating the written information into practical knowledge about yourself, about the trading environment, about the market, your dreams, your feelings and your better future.***

A journal if used properly will become a textbook of self-discovery and self-awareness and that is what you are looking for.

There are four stages to a successful trader:

Stage 1: Unconscious incompetence,
Stage 2: Conscious incompetence,
Stage 3: Conscious competence, and finally
Stage 4: Unconscious competence.



Hierarchy of Competence

In order to be a successful trader we must attain level 4 trading, “Unconscious Competence”. This is where we start to become profitable on auto-pilot, so to say. We finally form habits of a successful trader and all our dreams start to come true. And we cannot obtain level 4 without first going through the first three levels and we cannot fall through the first three levels without self-discovery and self-awareness and that is what is a trading journal for, to help you and your trading mindset.

The trading journal has two parts:

The technical part: Describing the market movement, price action, indicators, reasons for entering a trade (entry setup), your technical analysis and other technical information.

The emotional part: By now you should know that Trading is 80 emotional, 20% technical, which makes this the most important part. Here you describe your emotions and try to figure out your trading habits independently if they are good or bad. For example you can write about the questions, Why do I believe this is the right trade, why now, and how do I feel about pulling the trigger. Then record how you feel when the trade is closed out, whether by force or design. Be honest, this is your journal.

So you will be journaling two kinds of information, technical and emotional. Keep in mind that you are tracking your trading performance over time, so ***you need to fill it in regularly and consistently.*** Regarding the technical part, many aspiring traders get caught up on the results of each individual trade; however, the professional trader knows that their trading performance is measured over a long series of trades, not just one or two. The same is true for the emotional part. Therefore it is important to have a way to track your results so that you can see how you are doing technically and especially emotionally over a series of trades. First this allows you to avoid getting caught up on any individual trade and second, you can start seeing the possible bad habits, your emotional responses to those habits and the results you get from keeping those habits. You can think of your trading journal as a constant and tangible reminder that your trading performance is measured over a series of trades and that is important.

Journaling also makes you accountable as you trade. Because there is no boss looking over your shoulder threatening to fire you if you don't obey the trading strategy and system given to you, this will act as your form of oversight. If you were employed in a trading firm or investment bank you would never consider breaking some rules they gave you. That is why being a retail trader is so difficult (psychologically speaking) because we are free to do what we want, when we want and for as much as we want. So if you want to have a chance of succeeding in the market start getting serious about the Trading Journal, especially the Emotional Part!

Before we get into an example of a Structure of a Journal we need to do some preliminary work.

Here are the questions: How can you journal, how can you analyze something you don't know. How can you analyze when you don’t have the rules and the parameters. How can you analyze something that you even know it exists? Well... You can´t! You can’t analyze your indicators if you don't know what indicators you are using and how they work. Makes sense?

Remember: Don´t trust your memory.

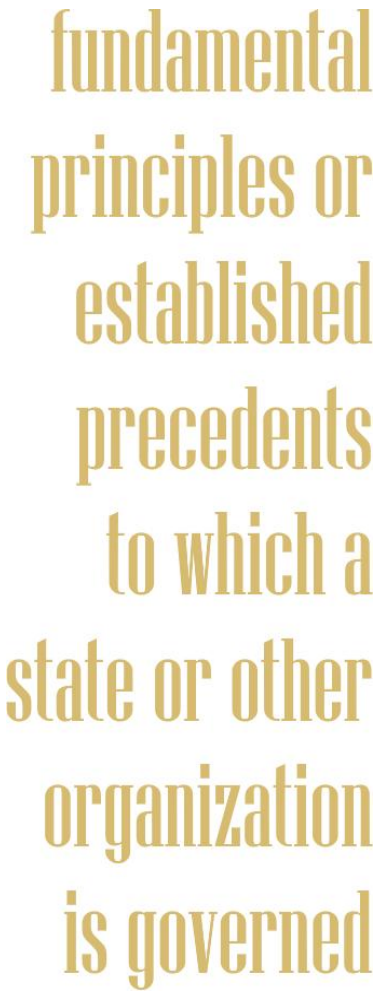
So in order to be able to start analyzing we first need to define what we are going to analyze and what we are going to journal.

In order to do this we must first define:

1. Our trading constitution
2. Our trading strategy and/or system rules

Chapter 2

Traders Constitution



According to Wikipedia a constitution is: A set of fundamental principles or established precedents according to which a state or other organization is governed.[1] These rules together make up, i.e. *constitute*, what the entity is. When these principles are written down into a single document or set of legal documents, those documents may be said to embody a *written* constitution; if they are written down in a single comprehensive document, it is said to embody a *codified* constitution.

Constitutions concern different levels of organizations, from sovereign states to companies and unincorporated associations. A treaty which establishes an international organization is also its constitution, in that it would define how that organization is constituted. Within states, a constitution defines the principles upon which the state is based, the procedure in which laws are made and by whom. Some constitutions, especially codified constitutions, also act as limiters of state power, by establishing lines which a state's rulers cannot cross, such as fundamental rights. An example is the constitution of the United States of America.

Your constitution forms the base from which you will establish your other rules of trading. It is a necessary step, but don't make it an arduous one. If you have problems forming your Traders constitution don´t worry. Below is a traders constitution to help you. When you start it is ok to not know what to write and what a constitution is. Find a mentor or another successful trader who will share pieces of their trader´s constitution with you in order to guide you. You can also take parts of this constitution if it serves you and try to make it your own.

Mike´s Personal Trader Constitution:

I am a proficient, disciplined and profitable forex trader. I enjoy trading to make a profit. Therefore I continue to educating myself on how the market works. I know how to determine market direction and I have a simple trading methodology where I have 1-entry strategy and 2-exit strategies, one for profit and one for loss with equity management that feels comfortable to me that I can easily manage and understand. I have a setup of trading rules that make sense and I obey my rules:

1. I will not trade without a protective stop loss order
2. I place my stop at the latest A, either the capital A or a sub-A (of a A-B- C-D swing)
3. I will not trade more than 5 currency pairs at one time
4. If I lose two trades in a row I will stop placing trades until the next London session opens
5. I find the latest A-B-C-D swing from the daily and 2h time frame and determine if the market is moving from the B to the C or from the C to the D
6. I enter using my ABCD swings from the 2htf and lower in conjunction with the larger time frame
7. I only enter the market at .618 or deeper C-retracement
8. When the market hits the “D” extension on the daily time frame I will look to trade the reversal on the 2h or smaller time frame
9. I will not move my stop or close out the market without a logical reason that another trader can understand
10. I will not trade if I´m emotional
11. I understand that the market does not care if I am a winner or a loser
12. I will learn from my past mistakes and understand that the market is a creature of habit and will do the same thing over and over again
13. I exit before the “D” extension gets hit or before the bulls/bears score point on a larger time frame
14. I am patient enough to wait for the market to hit the .618 or .786 Fibo retracement with a trend line break and candlestick formation to signal my entries. If the market hits the .86 Fibo retracement I can enter the trade with no other signals. I call this my “Black Jack” setup.
15. I write the convergences for each trade every day in my trading journal.
16. I always check my profit plan before entering a trade
17. I trade for pips and not for money
18. When I find a trade I create a plan and I trade my plan
19. If I cannot find a trade I´m patient and wait until the market meet my criteria of the trade or I go find another currency to trade according to my trading plan

This Traders Constitution may not make a lot of sense to you or maybe it does. Regardless try to make your own. Don´t be concerned as to whether it is OK or not. If you find that your traders constitution does not serve you well you can always change it. And you can do the same with your Trading Plan and your

Trading Strategy.

Now it’s time for you to write down your own personal trader’s constitution:

Now that you wrote your trading constitution we can move on the next pillar of successful journaling, defining your trading plan.

Remember: Please understand this: You should not move on with the book unless you have formed your Traders Constitution.

Your trader Constitution is the base from which you will create a Trading Plan and Strategy. You should not create a trading plan without creating your Traders Constitution first. Imagine for example the USA as a society without a

constitution. It would be a total mess, a disaster, a society of chaos. The constitution of the USA is the base of all the laws and the structure of the society that citizens of the USA live in today. If this is to abstract to understand ask yourself this. “Would you build your house on a base of sand?” Of course not. You will build it on a solid base. Your Trader Constitution is the solid base upon which you are starting to build your trading success.

Chapter 3

Your Trading Plan

A trading plan defines a set of rules of what is supposed to be done, why, when and how. It usually covers your trader personality, risk management and trading strategy or system. When followed, a trading plan will help limit trading mistakes and minimize your losses.

With a trading plan you are able to know if your trading is going in the right direction and you will have a framework to measure your trading performance. The big secret is this, without a trading plan it is impossible to know what you are doing right or wrong because you have no structured data to evaluate your results.



The first step in building a trading plan is to take a realistic and honest look at yourself. The foundation of your trading plan is based on your self-reflection and your self-reflection will reveal who you really are as a trader. Are you a Day trader or a Swing trader, are you a Position trader or a Fundamental trader? The best thing is that the journal will help you with is to figure out strategies, systems and methods that are not compatible with your traders profile.

In the Advanced Institutional Trader Program we dive into this in great depth and have a proven system that is going show you who you are as a PERSONALITY. Knowing all these things can drastically increase your chances of success because you cannot be consistently profitable, let´s say as a Swing trader if you don´t posses patience. It´s common sense if I ask you - how can you expect from yourself to show a quality that you don´t posses? Makes sense, right? We are not talking about better people or worst people and we are not comparing us to anybody. Some people were born with more patience

compared to other. Some people were born as a quicker decision makers that others. But this doesn´t mean that ones are better others. This simply means that we are different AS PERSONALITY and that´s totally fine. But still we need to figure out who we are. As we say in the ADVANCED INSTITUTIONAL TRADER PROGRAM, YOUR PERSONALITY MUST BE IN SINERGY WITH YOUR STRATEGY, otherwise you won´t be able to simply execute the strategy rules. I´m sorry but that´s the truth. And is also common sense.

It is time to write down your Trading Plan.

> **Remember** A trading plan defines a set of rules of what is supposed to be done, why, when and how.

Here is an example of a Trading Plan to help you in case you had difficulties to figure out your own:

FXBoss Trading Plan

Why am I trading?	Because I have dreams. I want to become incredibly rich and trading is the only way I know I can accomplish this in a relative short period of time. The thing that also motivates me is that I have control over my risk. I control my risk and I control my destiny.
What is my Strategy?	My strategy is to take advantage of short-term trends in the Forex market, while using the daily (chart) timeframe to scan for potential “Swing” trades that will be held for one to a few days, possibly weeks or until the trend has ended or my target objective has been reached. I will analyze the Daily chart to determine trend direction and then trade the 2h chart. I understand that larger time frames need more patience and have higher risk/reward and because of higher risk I need more trading capital in comparison of trading on smaller time frames. I also welcome position trades.
What are my goals?	**<u>Daily</u>**: **Stay Consistent and obey the rules!** I´m looking for trade setups that will give me a minimum 1:2 risk reward ratio and a minimum 50 pips of profit. Journal every day!
	<u>Weekly</u>: **Stay Consistent and obey the rules!** I'm looking for

	a weekly goal of 250 pips per week. I will review the trading week at the end of the week and improve my trading.
	Monthly: **Stay Consistent and obey the rules**! To steadily increase my risk amount when my data tells me. To continue learning through my day-to-day activities of being in the market and through continued education. To keep trading business expenses to a minimum. To see a steadily rising equity curve! To review the trading journal at the end of the month and make improvements. Monthly goal in pips: 800 pips per month. I want to be able to withdraw 5.000usd per month from my account for my lifestyle. To make consistent profits each month and supplement the monthly income from my job. To be a patient and disciplined trader who follows their plan.
	Yearly: **Stay Consistent and obey the rules!** To double my account within a year, consistently every year. To become a professional trader and trade for a living. To review the trading journal at the end of the month and make improvements.
	Long term (5+years): Stay Consistent and obey the rules! Improve my trading skills through continued education To review the trading journal at the end of the year and make improvements. To have multiple accounts – One for Income via Day trading, one for Wealth via Position Trading. This will allow me to eventually build up a retirement account. Get rich!
What are my objectives?	Being a trend-trader, and a Fundamental trader. I will seek to attain no less than a 50% win percentage, with an overall Profit Ratio of no less than 1.5. I want to be able to withdraw 5.000usd per month from my account for my lifestyle.
What currencies will I trade?	I will trade every currency if the spread is not too high and volatility not too low. The majority of the trades I will trade the major currencies.
Risk management rules?	MAXIMUM RISK 2% per each trade of equity available.
Pre-market activities, or routine:	Read 15min of some good book. Log in to trading platform. Review charts and open positions. Adjust trades if needed. Load potential trades into Long and Short watch lists. Set alerts
	near entry points.

Post-market activities, or routine:	Update the Trading Journal. Take screenshots of closed trades and link them to its corresponding trade journal entry. Review all open trades for possible next day action. Review any closed trades to determine whether plan was followed (or not).
What Tools will I use for my trading business:	*TradingView charting Software as a main tool fo charting, Alarms and System Trading* *Jforex platform from Dukascopy as a tool for System trading*
Review process:	Review the notes and screenshots of each trade 3 days after closure and after all biases and emotions have subsided. Write notes in the journal to how future trade executions, management and exits can be improved. Bi-weekly, check which setups are producing positive expectancy (with frequency) and which are not .
Continuing Education:	Read minimum one new trading book and one motivation/psychology book a month. Attend minimum one currency trading course a year.
Discipline & Mindset notes:	Don´t try to do everything! Choose 1 broker, 1 strategy, 1 charting software, 1 fundamental announcement website, 1 journal and be consistent at it!
My Golden Rules (and/or) Trading Commandments:	1. I will be disciplined every day, and in every trade. 2. I will be my own trading "self", never trading another's plan. 3. I love taking small losses. 4. I will always earn the right to trade bigger. 5. I am not addicted to trading just to see what happens. 6. I will only trade high reward setups that have the probabilities in their favor. 7. I will be a bricklayer – making the same type of trades over and over again. 8. Once I find a setup, I do not hesitate; once in a trade, I do not over analyze. 9. I will always keep a detailed trading log/journal and will act upon what it tells me. 10. Everything I do will be for the success of my business!!!

These are the necessary components of a Forex trading plan, you can add more if you

like, but don’t get too carried away otherwise your plan will become too long and complicated for you to follow and execute. Everything you do it must make sense TO YOU in a way that you understand.

Now it´s your turn:

MY TRADING PLAN:

Your full name:_____Date:_____

_____
_____
_____
_____
_____
_____
_____
_____
_____
_____
_____
_____
_____
_____
_____
_____
_____

Signature:_____

Remember that everything that you are learning here - those are EVOLVING documents, so don´t worry too much if its right or wrong or enough. The important thing is for you to start. Once you started you can make adjustments and/or improvements down the road.

Chapter 4

Your Trading Strategy

The last step is to define your trading strategy. Your trading strategy is a part of your trading plan. The difference is that in your trading strategy you will define in more detail the setups and the rules. When you wrote about your trading strategy in your trading plan, you wrote kind of an overall strategy. So, let's take a look at the real trading plan where it looks like a strategy:

"My strategy is to take advantage of short-term trends in the Forex market, while using the daily (chart) timeframe to scan for potential "Swing" trades that will be held for one to a few days, possibly weeks or until the trend has ended or my target objective has been reached. I will analyze the Daily chart to determine trend direction and then trade the 4h chart. I understand that larger time frames need more patience and have higher risk/reward and because of higher risk I need more trading capital in comparison of trading on smaller time frames. I also welcome position trades if I find a trade that is on a Monthly PivotPoint."

This description of the overall trading strategy is OK for a description in the trading plan but is not detailed enough to give us detailed rules that we can use to be accountable in our trading journal later . So, here is a real trading strategy to help you:

FXPassion´s Trading Strategy

1. I will define a trend and the latest A-B-C-D swing on a Daily and Weekly chart. After defining a trend and the A-B on these higher time frames I will go on a smaller time frames like the 4h or the 2h time frame and I will find the latest A- B-C-D swing on those charts.
2. I will then define potential entry points on the Daily chart (the C of the swing) around the Fibonacci retracement levels and around support/resistance levels. If I see that the A-B-C-D swing on the Daily chart is already at 1.18 or 1.27 extension I will NOT TRADE! I will only trade on smaller time frames in the direction of the trend, when the Daily chart is retracing to deeper levels like .618 and below.
3. In order to enter a trade, my trade setup MUST give me the next signals:
   3.1 Candlestick formation on a Daily that signal the end of the retracement and start of a trend continuation (will also signal some kind of a crown on smaller time frames)

3.2 The candlestick formation should be near some Fibonacci level and support/resistance level
3.3 The Stochastic RSI should be in the oversold-overbought zone
3.4 I should see a counter trend line break
3.5 I WILL NOT ENTER A TRADE IF MY RISK IS MORE THAN 2% PER TRADE!!!

4. When entering a trade my Stop Loss will always go below/beyond the capitol A of the swing
5. Profit target is going to be 10 pips in front of the appropriate Fibonacci extension – most likely 1.618 (or 1.18 or 1.27 if it retraces to .786 or .81)
6. When the trade starts to show profit I will replace my stop on every new high/low to guarantee my profits.
7. If it happens that I am in a trade on a smaller time frame and the A-B didn´t retrace to .382 and gives me bullish/bearish candlestick formation signaling potential reverse at 1.18 or 1.27 extensions I will exit the trade.
8. I will hedge my entries with the risk of 0.5% per trade. If the trade goes deeper I will enter more trades until I get to the overall risk of 2% per trade. If the initial trade goes my way I will enter new trades in order to profit with the 2% overall risk on a Daily Chart.

...a set of precise rules on when and how to enter and how to manage the trade.

It is quite likely that this trading strategy is quite confusing for you and that´s ok. Remember I wrote a few pages ago the quote: “You cannot understand a Trading strategy or System without understanding the mindset that wrote the strategy? As the great business philosopher Jim Rohn said: Don´t be a follower – be a student! This trading strategy doesn´t need to make sense to you because it is not your trading strategy. This trading strategy was to give you a sense on how it is done and what it should include. Regardless is this trading strategy perfect? Of course not! Does it mean that with this trading strategy we will make only profits? Of course not, loses are part of the game. The most important thing is that there are a set of precise rules on when and how to enter and how to manage the trade. That’s it! That will give the direction so that we can be accountable in our Trading journal and start to see trading habits and other emotional and psychological patterns that need to improve or maybe change in order to be a better trader.

There is ONLY ONE RULE that will define a Good trading Strategy: A Good trading Strategy must have rules, black and white, not subject to interpretation. If your Trading Strategy IS subject to interpretation then you cannot come to an Edge. Why? Simply because every trade

is going to be a little bit different, makes sense. We work on Strategies more in detail in the FX202 - the Advanced Institutional Trader Program. So so far, don´t worry. Try to be more specific as possible when it comes to rules. An example of a NOT A GOOD RULE would be “buy an uptrend”. See , that´s too general. Buy an uptrend means something to me but could mean something totally different to you. Makes sense? A good Trading strategy is a strategy well written to the point that you can give your strategy to 5 different Traders and they will come back with more or less the same results. Makes sense? Okay, not it´s your time. Have fun.

Define, describe your Trading Strategy:

Now that you have a solid base we can proceed finally to the main event. The Trading Journal. It probably feels like it took a long time and hard work to get to this point. The truth is, that it is hard work and time consuming. But would you spend the necessary time to plan and design a house you are building? The Traders Constitution, Trading Plan and Trading Strategy are the fundamentals of your Trading journal and your Trading Journal is the Base of your trading success.

Chapter 5

Currency Traders Trading Journal Structure

What should a trading journal include and how do you make one? The following is an example of what a trading journal could look like. It may look complicated but once you have an understanding, it will become habit. Below we review all the components of the Trading Journal

> ***Remember*** we are journaling the days and not just the action that potentially took place on a day.

Date:	Account:	Currency:	Time:
TMM:			
TTA:			

Entry B / S (buy or sell)	Planned Stop	Planned Target	Position size (lots)
Risk / Reward	Exit price	Total P/L (pips)	Efficiency (min 95%)

Monthly LOSS LIMIT 10% forward:	
Equity forward for the next trade(all loses included)	
Risk 1 % at .50 or higher forward:	
Risk 2 % at .618 or higher forward	

TEETA:
MME(M):
MME(W):
MME(D):
Have I obeyed all the Constitution rules? Have I met my Daily goal from my trading plan? Have I obeyed all the points of my Trading Strategy and Business Plan? How many hours did I devote to Trading today? What did I do concretely?

Now let´s start explaining what those letters mean:

TMM

The first column is the “TMM” and stands for Today's Market Movement. Here you will describe the price action of a singular currency pair. You should describe what happened today in the market for that pair. For example did the currency pair go up or down with the general trend, is it in a retracement, consolidation or extension mode, and any other relevant observations you have. You can use words like “trend continuation” or “trend retracing” the most important thing is that you use the language you understand and will understand in the years that follow. Describe what the market did according to your trading system (if you have one) or strategy. Concisely describe if the market movement of the pair meet some trading criteria like an entry setup, exit setup or perhaps trading strategy adjustments like Fibonacci targets.



For example: this is a Daily GBPUSD chart. So the TMM could be:

<u>TMM</u>: ***Today the market retraced with a bullish candle on the consolidation trade.***

TTA

The next column is the “TTA” and stands for ***<u>Today's Trading Action</u>***. If it so happens that you traded during the day you are journaling, describe shortly what trading action you did and WHY. Describe what money management rules and strategy you used based on what indicators, convergences and other signals you used. What was the signals you used to indicate an entry setup or an exit setup, etc.



TTA: As I entered at the Counter-Trendline Break today I was just monitoring the GBPUSD. I´m thinking to re-enter and double my position if the market reverses at past resistance.

TTA-examples: Exited the trade 10 pips before the Fibonacci extension. OR Exited early because was afraid of losing money. OR Exited early because the Stochastic hit the overbought/oversold line. OR Exited the trade because hit my Daily Target OR Re-entered a

losing trade because….

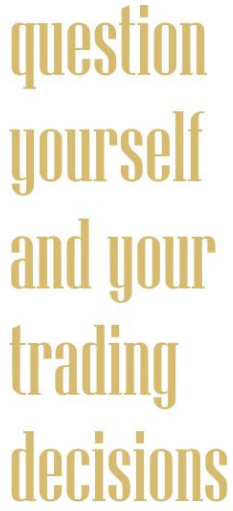


Remember: This is for you, no one is looking over your shoulder, if you are not honest with yourself, you will be honest with yourself later after a series of losses.

It's better to start now! It does not serve you if your strategy rules need a minimum of 3 convergences of 5 in order for you to enter a trade, and when the market shows you just 2 convergences, you enter a trade, BUT in your journal you write that you had all the five convergences. It does not work that way. Do you want to grow as a trader? Do you want to have a break-through with your trading? No lying to yourself! Be 100% honest!

TEETA

The next column is the "TEETA" and stands for Today's Emotional Execution of the Trade Analysis. **<u>This is the most important column, the heart and soul of your trading career.</u>** ***You have probably never thought about it but we execute a trade based on what we feel in the moment and not on what we think.*** In this column you should question yourself and your trading decisions. You should question yourself for example with:

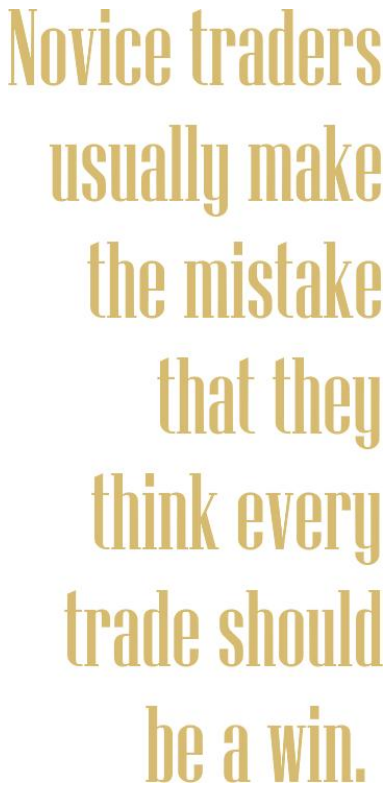


I. Have I traded according to my trading rules and money management rules?
II. Have I traded correctly with my entry setup or exit setup? If not, WHY not?
III. Have I messed with my trades or did not obey my trading strategy? Why?
IV. Have I changed my trading strategy or system? Why?
V. Have I broken any of my trading rules? If yes, Why?
VI. What is the problem? Have I been too emotional, greedy or fearful?
VII. What MUST I do or not do next time to improve my trading?

This column will help you spot your bad habits because the majority of the questions above have the same root's. Let's give some examples:

I. Have I traded according to my trading rules and money management rules?

If we have, that is great. If not, we should logically explain why not. For example, explain why we entered a trade early or perhaps why we exited a trade early. What was I thinking before entering the trade is a great question. Thinking triggers emotions and emotions trigger actions. Is that simple. Generally when we enter a trade early it is because of our greed and exit a trade early because of our fear of losing our profits. Those are logical explanations, real reasons about how we acted emotionally. The underlying point may be that we don´t trust ourselves, our trading strategy, or system yet.



It is OK to lose a trade IF we have strictly followed the trading strategy or system. It is not that we are saying that is OK to blow your account what we are saying is that you should follow the trading rules of a profitable system or strategy. Novice traders usually make the mistake that they think every trade should be a winner. They don't listen when they hear that there is no such thing as a perfect trading system or a perfect strategy, it simply doesn´t exist. If a perfect trading system or strategy existed we would all be multimillionaires already and nobody will ever need to work.

We all make this mistake. We watch a few presentations of trading systems and strategies and buy them all. The end result is multiple blown accounts in a row. Not because they were lousy trading systems and strategies, but because of the Trader!

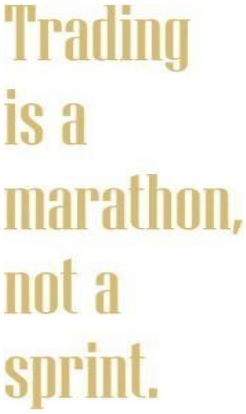
It is a lack of consistency on following the trading rules strictly to the teeth. It´s normal in the beginning for us to add something ours so that we can FEEL that we helped the strategy, when in reality we changed the parameters of the strategy and it´s EDGE. Simply stated we messed with the Strategy, we didn´t help it. It´s quite common that Retail Traders are at the beginning Messing with trades, constantly changing system parameters, greedly trumping money management rules, being Impatient for the market to hit profit targets, trading too early, and many other things.

With asking the right questions you will soon figure out that your motivations for decision making are more or less the same for every mistake. The mistakes you are perhaps making are different but the motivation, i.e. emotional response or

emotional feeling, behind the mistakes is generally the same. Be honest with your answer to the question. Professional traders are 80-90% efficient that means that 80-90% of the time they execute their strategy 100% the same. It means that they obey ALL the rules of their trading strategy. You might be asking if Professional traders are not 100% effective? Well no! Nobody is perfect. But the Best Traders they make 5-10 mistakes every 100 trades. This would be 90% effective. Wow, right!

What about money management? Well If you decided that you are going to expose your account to 5% risk max and you find out in your journal that you have widened your stop loss because you wanted to be right (remember the Mind Traps) you will probably repeat this behavior, so be careful. This is a bad habit!

If this is you, you need to work on yourself. You need to internalize emotionally that Trading is a number´s game. Trading is a marathon, not a sprint. The best traders in the world are right 60- 70% of the time and it is the correct use of money management that helps us to survive drawdowns and losing trades.



Use the journal to work on your emotions.

II. Have I traded correctly with my entry setup or exit setup? If not, WHY not?

Some errors you may experience could include, exited a trade too early, not allowing profits to run. If for example you are a Fibonacci trader. If the Fibonacci retracement of the trade you are in is telling you to exit at 1.618 extension you should exit at 1.618. Not at 1.18 or 1.27. By exiting the trade too early you are cutting your profits and likely letting your loses run. Consider this possibility that by cutting your winning trades you are decreasing your risk reward ratio and therefore your success percentage will have to go up to compensate for this increased risk. Either this or you have to cut your losers early as well, and we all know that is even more difficult emotionally.

Another good example of NOT trading correctly with your entry setup is when a candlestick starts breaking the trend line or counter trend line, which is a signal of a potential trend reversal. You should wait for the candlestick to close above/below the trend line before entering a trade. Many traders, especially at the beginning, are impatient, so they enter a trade prematurely just to see later that the candlestick had reversed the last 15-30 seconds and it didn't break the trend line resulting in a losing trade. The emotion behind this behavior is generally greed, camouflaged in thoughts like “I don't want to miss this trade, this is the trade of my life, this trade is going to go my way, etc.”

III. Have I messed with my trade or did not obey my trading strategy? Why?

you need a set of non-negotiable rules you force yourself to obey

This question is similar to the previous one with the difference being that it extends it´s questioning on the trading strategy. Every trader should have a strategy. This means you have a set of rules that you can apply, or better still, a set of non-negotiable rules you force yourself to obey.

Let's say that your strategy is to buy counter trend line breaks in an uptrend and you sell counter trend line breaks in a downtrend. And one more rule: in order to enter a trade you must wait for a complete candle to close above/below the counter trend line in order to confirm the break and signal a trend continuation.

That is a solid clear strategy. A set of rules that you should obey in order to get proper trading results. But this is not enough. Your strategy should also cover the "bad" events. How will you manage your trade if the counter trend line breaks with a full candle closed below/above the counter trend line and in the next second the trend starts to reverse again against your trade? You should have a strategy to assist you in this kind of market situation. The more market behavior you can predict as a possible movement the better.

When you don't execute your strategy, or when you don't obey your strategy rules 100% of the time you are developing another terrible trading habit. We are all familiar with the thoughts of"Iwill try something different JUST this time…just this time…" The current strategy is not even proven to not to work, and we want to "improve" it already. This is not improving, this is messing. Why try to reinvent "hot water, the wheel, or sliced bread"? If the strategy works STICK TO IT! DON'T TINK!. The vast majority of the time the issue is NOT the strategy but your application of it and your emotions surrounding it. You need to focus on controlling your emotions and impulses.

Let's talk about consistency. What is it and why do we need it? There is an unwritten rule in trading. To determine if a strategy or a system is profitable you need to trade it a minimum of 100-times, obeying and executing the rules 100% of the time 100% correctly. This is consistency. If you fail to obey or to execute a rule or a part of the strategy, the results that you will get at the end of 100 trades is going to be distorted. Even worse you will not know if the strategy or system works! It may seem arduous but this is what separates amateurs from professionals, and in the end this exercise is

what will create a lasting positive habit. Execute 100 trades with the same strategy, no messing. Not 99 trades. It must be 100!

The novice trader is trying to force the market, and he can only force the market messing with his strategy and/or his trades and that is why he is not consistent. When in reality it is impossible to force the market! The professional trader, on the other hand, waits for the market to position itself in a way that he can execute his strategy with consistency. BIG DIFFERENCE in results, money and lifestyle of the two.

If you discover that you don't obey your trading strategy, you should figure out why? Is it the fear of losing? Is it greed? Is it impatience? Is it that you are bored during the trading session? Is it that you are not focused enough? Is somebody interrupting you so that you can't concentrate on your strategy? What is it?

> **Remember** you will never win 100% of the time BUT you can execute your strategy right and be consistent 100% of the time.

You will definitely lose if you mess with you trades and your trading

strategy.

Use the journal to work on your discipline.

IV. Have I changed my trading strategy or system? Why?

Novice Retail traders make this mistake almost every day, it's part of the process. The problem of changing strategies or systems is that we don't allow our systems or strategies enough time to show their potential. The rule is to not change a profitable strategy or system as you need at minimum 100 trades to prove if the strategy or a system is profitable for you.

Instead we are impatient, we want everything now, in this very moment. We buy in the fairy tale that we can buy a trading system and we will get rich overnight. We are naïve sometimes. But sooner or later we get that wake-up call when we blow our account.

This is a story of 2 brothers. Together they bought a trading system and installed it. The trading system resulted in the initial 10 trades being losses. But then on the next 10 trades the trading system resulted in ANOTHER 10 losses (now 20 in total) and one of the brothers got so frustrated that he erased the trading system and started searching for a new trading system. He said the system doesn't work. The other brother was patient and allowed some more time for the system to work out, just to see what happens.

The brother who lacked patience is still searching for a new trading system that will make him rich overnight and the other brother is making profits with the old trading system because it turned out that the old trading system needed 27 losing trades to start calculating the right parameters in order to start making profits and to end up profitable. This does this mean that the old trading system only makes profits. Of course not. There is no such thing as a perfect [illegible] strategy. Loses are normal part of trading. If you lose a trade [illegible]ess comes from consistency. From not changing systems or stra[illegible]ictly obeying the trading rules.



Use the journal to work on your consistency.

V. Have I broken any of my trading rules? If yes, Why?

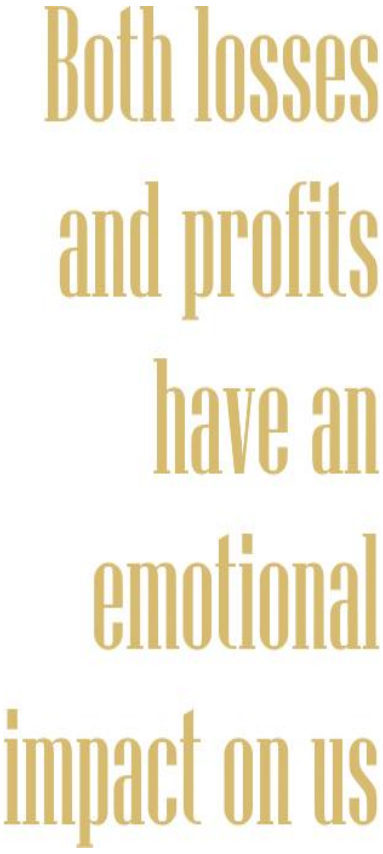
Many of these questions may sound similar and with similar roots issues, however they are also different. We can pose questions to ourselves that may look the same but are different in detail. This technique is often used in surveys and interviews to as we may interpret the subtle changes differently. You can argue that you already answered this question in the previous questions this question is here to encourage you to look one more time inside your trading and check one more time if you have missed something. Normally our egos don't like to admit errors. Our egos always want to be right.

One good question could be about money management? Have you broken the rule that you will not risk more than 0,5% of your capital on a trade? You didn't think about it did you. You thought that the things that only matter are the trend lines, candlesticks, support-resistance levels, Fibonacci ratios, Stochastic, RSI and the other indicators. But you didn't think about your equity management.

It is better to ask the same questions 200 times rather to wonder after 1 year why we are still not profitable, still making the same unconscious mistake over and over again.

Use the journal to work on your ego.

VI. What is the problem? Have I been too emotional, greedy or fearful? What MUST I do or not do next time to improve my trading?



The important thing here is to find processes for ourselves so we do not repeat the same mistakes. If we continue to make the same mistakes over and over again despite of our awareness of them, then we should seek the help of other professional profitable traders. A great place to start would be to find a mentor, a currency trading club or similar group. Find someone who is willing to look after you and look at your trades. Both losses and profits have an emotional impact on us. A loss can cause us to want to seek revenge for the lost trade by trying to make back the money we just lost and to prove we were right all along. A profit can cause us to become overconfident causing us to deviate from our trading plan and take trades that we normally would not take. If you are not strong enough to tame your emotions, it's time for you to look for a mentor. If you have difficulty being honest with yourself, if you give yourself the leniency to deviate from certain aspects of your strategy then a mentor will help you be accountable.

Use the journal to work on your process.

Doing all this analytical hard work on your trading and yourself should help you to improve your trading results and become a more profitable and successful trader.

Some additional questions to ponder:

1. Are you listening to the charts or to your destructive Ego?
2. Are you listening to your emotions when you are out of the market and with little time to do your analysis are tempted to impulsively enter a trade because you want the money?

Think about your behavior as a trader. Relate everything. Think about your emotions. The questions we answered are just some examples. You should make other questions for yourself if needed.

You need to discover yourself. You need to talk to yourself. The formula for success is to work on yourself, keep questioning yourself until you see improvements in your trading and you are not repeating the same mistakes, and then…. Question again.

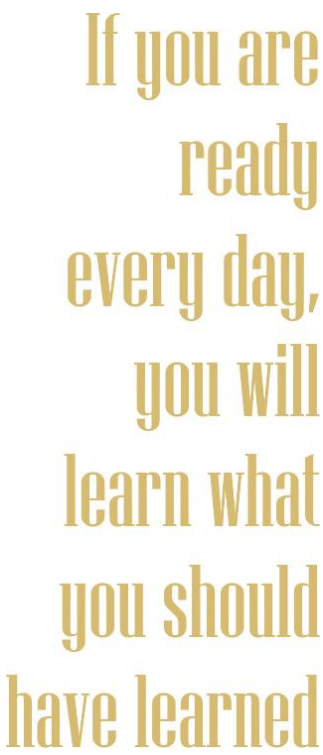
The formula for success is... Work on yourself, keep questioning yourself, until you see improvements and then.... Question again.

MME

The next column is the “MME” and stands for Market Movement Expectation. This is where you will describe what market movement you are anticipating for the next day or days, depending on the time frame you are trading. What criteria should it meet in order to provide you with the signals for a trade setup for that particular currency.

Here are some Questions to help you:

1. Are you expecting the market to retrace to a certain Fibonacci level?
2. Are you expecting the market to re-test the bullish engulfing candle?
3. Are you expecting the market to go sideways until the fundamental announcement day?



Document all the possible scenarios that the pair could encounter so you are prepared with your plan of attack. Remember the old saying: The teacher comes only when the student is ready. Therefore, If you are ready every day, using your trading journal, your teacher will ultimately come, and you will learn what you should have learned in order to become a more profitable and better trader. In other words, plan everyday, for all the possible scenarios the market could give you, so you are prepared to execute your trading strategy.

The outcome from completing this section is that your trading will become more relaxed. With time you will be used to the market moving against you. You won´t panic when the market retests your candlestick formations, support and resistance levels, trend lines or any other signal you are using.

This section will also help with “reading” charts. Ultimately we want to trade what we “actually” see on our charts and not what we “think” we see or what we “want” to happen. Like wanting to see a trend line break that is not a trend line break, a candlestick formation that is not a candlestick formation, or a support/resistance level that is not a support/resistance level. Therefore, writing down our expectations will diminish the risk of seeing mirages since we already analyzed the potential future movements of the market. By doing so we won't be caught in the moment unprepared.



GBPUSD- Daily chart, What am I expecting from the market to do on a dailychart?

<u>MME:</u> I expect the market to continue to fall to the first consolidation line because of the Crown pattern and because the market broke the green up trend-line. Also the US Dollar index is showing strength and the news was positive last week for the US Dollar.

Another a little bit more complexed MME EXAMPLE on USDJPY:

Below you will see an example of MME. We use three charts, the monthly, the weekly and the daily chart of the currency pair USD JPY . Remember, these are just examples. You need to journal your own MME in a way that YOU are going to understand and remember when you look at your journal even a year later.

The MME will help you to create and review a plan of attack. You will no longer be stressed with “Oh my God, What was I supposed to do? or Gosh what was it I thought it was going to do? where was my entry supposed to be?” Your MME will make it clear for you.



USDJPY- monthly chart, What am I expecting from the market to do on a monthly chart?

<u>MME:</u> I expect the market on the monthly chart to re-test the bullish engulfing candle. I also expect the market to first go up to find resistance and then fall to re- test the bullish engulfing candle because the stochastic didn't cross the overbought zone yet.



USDJPY – weekly chart

<u>MME</u>: I expect the market on the weekly chart to find a level of support (fall) and then continue it´s way up to fulfill the Fibonacci extension. I also expect the market to consolidate for some time as I can see this forming a sideways movement. The Stochastic is in the oversold zone so it should go up in the next few weeks.



USDJPY – daily chart

MME: I expect the market on the Daily chart to rally because the stochastic was in the oversold zone, there is also a sideways movement and the last fundamental announcement for the US Dollar was strong. On the other hand, if the market breaks the lowest low of the sideways movement it could go into a deeper retracement where it would find new levels of support, where it will bounce and start going up again. This shouldn't happen because the Weekly stochastic is in the BUY zone but as we know the market is unpredictable. Regardless, I expect it to rally and I will buy the market until the Daily and Weekly Stohastic go to overbought zone.

So joining all together, here is the plan of attack:

MME: I expect the market on the monthly chart to re-test the bullish engulfing candle. I also expect the market to first go up to find resistance and then fall to re- test the bullish engulfing candle because the stochastic didn't cross the overbought zone yet.I expect the market on the weekly chart to find a level of support (fall) and then continue it´s way up to fulfill the Fibonacci extension. I also expect the market to consolidate for some time as I can see this forming a sideways movement. The Stochastic is in the oversold zone so it should go up in the next few weeks. I expect the market on the Daily chart to rally because the stochastic was in the oversold zone, there is also a sideways movement and the last fundamental announcement for the US Dollar was strong. On the other

hand, if the market breaks the lowest low of the sideways movement it could go into a deeper retracement where it would find new levels of support, where it will bounce and start going up again. This shouldn't happen because the Weekly stochastic is in the BUY zone but as we know the market is unpredictable. Regardless, I expect it to rally and I will buy the market until the Daily and Weekly Stohastic go to overbought zone.

So the plan of attack for the coming days and weeks is, go LONG USD JPY according to the strategy which includes the entry setup with the proper money management in place.

And what if I´m wrong?

The answer will probably surprise you….. “SO WHAT! So what if I'm wrong on my MME. There are other currencies that I can trade and I can always re-analyze the charts and I can always buy the USDJPY again on deeper retracement levels”.

What if you can’t explain your MME, what if you can't see the MME? There is a good saying among traders: “In case of a doubt, stay out!” Simply put this means that if you can't figure out your MME, DO NOT trade! Be patient! Find another trade on another currency pair.

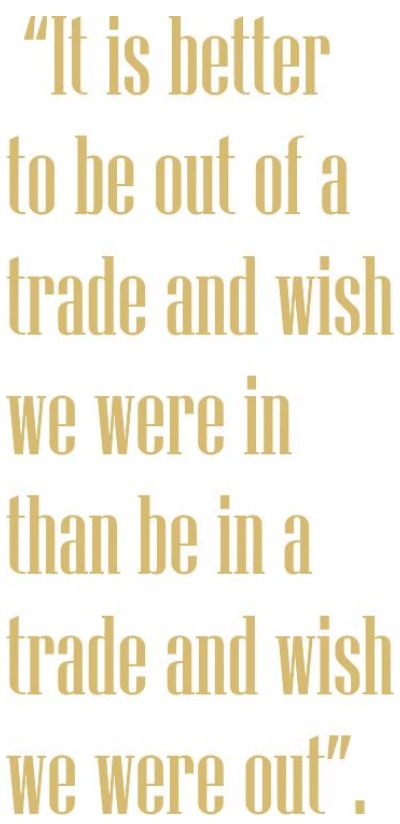
You can write in your MME, no market direction, or market too difficult to predict, or no clear trend, or market in chaos, or anything else. There are markets that are difficult to do an MME for. The good news is that if you can't write the MME for any reason, don´t waste your time analyzing this market. And of course don't trade it. Why would you trade something that you don't understand or something that you can see clearly? It is a waste of your time. And professional traders value their time!

> **Remember**: You can have 10 losses in a row, but if you have good money management and if YOU OBEY THE RULES you are going to be a winner.

Chapter 6

When you find a solution

As a RETAIL TRADER you are inevitably going to make mistakes down the road and you will have missed opportunities. Of course our preference would be to have missed opportunities rather than make mistakes. Like entering a trade that we wish we didn't enter. There is a saying “It is better to out of a trade and wish we were in than be in a trade and wish we were out”. But the mistakes we make are just as important to our success as the market going your way.



When we are right, then it is easy to feel good and perform the right way. This is the easy part. But what about, when we are wrong or when things aren't going our way? Like closing a trade too early, not taking the right setup, or entering at the wrong entry levels or position sizes. This is where the real learning can and should take place. All of these situations should be recorded in your trading EMOTIONAL journal so that you are reminded of them and avoid making the same mistakes in the future.

When you find a solution, write down the page and go back frequently because it is worth remembering it. As you will experience as a Retail Forex Trader **the most costly mistakes are the ones we keep repeating every trading day**. If something did not work, like putting a stop loss to tight and we were stopped out by the market. Now it is too late to undo the mistake but it is never too late to make adjustments and revisions in our thinking, strategy, system, and decision making. That is the main purpose of using a Trading Journal. **Better decision making comes from better thinking habits and better emotional habits and better thinking habits and better emotional habits come from practical experience.** But all is in vain if don´t record those experiences and let them dissapear in our memory, makes sense? Remember the quote from the very beginning of the book: DON´T TRUST YOUR MEMORY! WORK FROM “PAPER” - NOT FROMTHE MIND!!! Those better habits come from practical experience. Learn both, what to do and, what not to do, in the market.

Becoming a more effective thinker on paper is a sure way of becoming a more effective trader in practice. Promise yourself you will do it. Make a commitment today.

If you are lucky enough to find a mentor you connect with, then they will be there to guide you every step of the way, pointing out your mistakes, recognizing the things that went well, and keeping you disciplined and accountable for your performance. We have two options;

1. Find a mentor and share with him our trading journal, or
2. Mentor ourselves with the trading journal.

A well-kept, detailed trading journal can be almost as good as having a coach watching over our shoulder and helping us to learn those lessons. Keeping a journal may seem boring and time-consuming, but a trader can often learn more from reviewing their own trades, than from reading a book or attending a seminar. How disciplined you are with your journal will be a great predictor of your overall trading success down the road.

Of Course the BEST combination would be to have a mentor plus a trading journal and work with both. This would really speed up your learning curve. Think about it!

Chapter 7

Time management and journaling



In order to get the best from the journal you should journal once a day always at the same time. By doing so you can start discovering some correlations between your writing and the market movements. Again, Only journal once a day every day at the same time. If you find yourself journaling during the day instead of taking short notes simply stop journaling. In most cases you won't have time during the trading hours to do the proper deep analysis.

Now here is a situation you may encounter as a Retail Forex Trader. If during the day you opened and closed several trades, you will not be able to keep all the data in your head till eleven o'clock at night when you are going to journal, or whatever that time of day is.

Remember *Don´t trust your memory.*

The best way to do that is to have a piece of paper or a notebook near your trading station and when something important occurs, write it down like a reference for your later journaling. To be clear this is not journaling. Taking short notes is not the same thing as deep analysis.

Likewise, at the end of the day do not walk away with journaling incomplete. Wrapping things up while your trading experiences for the day is still fresh will get you the best results from your journaling.

Another good idea is to re-read you journal from the previous day before starting a new trading day. This will keep you on the same frequency with the market and market expectations from day to day. Make a fixed schedule for your trading routine. Doing the same thing every day will condition your brain and will make journaling and the re-reading of the journal a habit. A very good habit! Your trading journal is like a map. It shows you where you have been, where are you going and where you want to be. So it is crucial that you take time at the end of the week to re-read your journal for the past week, as well as taking a half a day at the end of the month and review the past month. This practice will help you to figure out the

big picture. If you were thinking that you would be on the road to riches in mere weeks, we are sorry to disappoint you. It will take much longer than that to become a proficient teacher. One of the worst mental situations you can get yourself into is the thought that you can get rich overnight, over week, over month, or even over year. This is a disciplined business. You will get rich, however it will take hard work and time to achieve your goal.

As we mentioned several times during the book, by following this process, you will become more and more aware of your habits, trading styles, mistakes and the market behavior. The more time you re-analyze and re-read the easier it is going to be to spot the big picture and make solid conclusions and not fall for illusions. It is quite different if you analyze 1 day or 1-week or 1-month or 1- year. Think about how much you can learn from yourself after analyzing 1 year of your actions, habits and emotions in trading. Wow! That is a big chunk of data. Think of how you can use this data and put it to work in the next year. Possibly one of the biggest years of your earning career.

You have to figure out a way to become disciplined and organized, otherwise you simply will not succeed

Documenting your trading results is a necessary component to becoming a professional currency trader. As your trading journal progresses over a series of trades, you will start to see the significance of it more clearly. The power of risk/reward and money management_will become glaringly evident to you as review your trading journal after a few months go by. Having this tangible piece of evidence to explicitly show you how discipline and patience pay off over time, is a critical element to attaining and maintaining the proper trading mindset. The reality of Forex trading is that at some point on your journey of learning how to trade, you will have to figure out a way to become disciplined and organized, otherwise you simply will not succeed. Creating and meticulously maintaining a trading journal is the quickest and most effective way to develop into a disciplined and profitable currency trader.

There is no such thing as a perfect trading system, perfect strategy, perfect trading journal, and there is no such thing as a perfect trader. Using a journal however can do nothing but help your trading. And when your trading changes, we hope for the better, so will your journal.

Good Luck with your trading.

Final thoughts

Remember to start small. Confidence in trading, as in all areas of your life, is built upon the experiences of success. When beginning any undertaking, large or small, we will lack confidence. We have not yet learned from experience that we can actually succeed. Success breeds success. Even a small success can be used as a stepping stone to a greater one.

Even a small success can be used as a stepping stone to a greater one.

A Boxers' manager and the managers of all professional fighters' carefully schedule good matches for their athletes so that they can win in the early stages and have a graduated series of successful experiences while still being challenged to improve. THIS is how you build a champion.

Don´t be a follower, be a student.

The problem of starting big is if things go wrong early you often need years to get back on track, to rebuild your confidence. And in fact many do not get the confidence back. Perhaps you will correct your mistakes but experience has shown that once confidence is broken it prevents the attempt of greater things.

In the end, Do not follow my trading constitution, my plan, my strategy, or anyone else's for that matter. As the all-time great business philosopher and motivational speaker Jim Rohn said, Don´t be a follower, be a student!". Just because you see someone doing well with their method, does not mean it will work for you. Just because you see someone struggle with their method does not mean it won't work for you. We all have different thought and emotional processes, reactions, risk tolerance and market experience. And on deeper level we all have different experiences with money and what money means to us.

The Story of Two Traders - The Smart and the Naive

Here is a short story of two traders:

There were two men that wanted to start a trading career. The NAIVE one opened several trading accounts, started trading and blew all of them Losing all of his hard earned money.

The SMART one waited and did not open a trading account but instead opted to educated himself first on how the market worked. He then moved on to a second step. He had enough patience to demo trade on a demo account to show to himself he could be profitable. Later he joined the Advanced Institutional trader Program, defined his Trading Constitution, Trading Plan, Trading strategy and system(s) and continue with his education. The next step he opened a mini account and started trading with mini lots because he was aware that trading on a demo account is quite different than trading with real money because of the emotions he had. He started his trading journal, he connected with a mentor with a proven track record and his account started to grow and so did his experience with continuing education. He became a millionaire in 5 years.

The point of the story?

BE SMART,

not NAIVE!

FREE RESOURCES

So here you have it. The little book of Trading Secrets. What is your next step? Well it depends on what level are you?

If you are a beginner you can join me in **MY FREE SESSIONS** FROM DUKASCOPY ACADEMY ON YOUTUBE:

https://www.youtube.com/playlist?list=PL2XjS8Yu9fIgFtIKaxFsiIOLQBC6BzffA

If you are Trading for 3,5 or 7 years plus, connect with me on SKYPE:

Skype name: Education Fxpassion

And **JOIN THE ADVANCED INSTITUTIONAL TRADER PROGRAM**

Or send me an Email to: mikefxboss@gmail.com

If you don´t have time to join the Advanced Institutional Trader Program, it might interest you the **ADVANCED TRADER EDUCATION** that you can join:

- FIBONACCI MASTERY COURSE

- MAXIMIZE YOUR PROFITS WITH BASKET TRADING WITH THE US DOLLAR INDEX COURSE

- LEARN HOW TO UNDERSTAND RISK COURSE

- LEARN HOW TO HEDGE THE MARKET LIKE A PRO COURSE

- KDJ & KAMA Prop. System Course

In the end if you want to join my TRADING GROUP contact me on SKYPE or Email because there is a way to join for free!



Here is my Website:

https://fxbossfx.com

LASTLY - **if you need SEED CAPITAL** to Trade, send me an Email or SKYPE message. I´m partnering up with 2 Asset Managers one from Australia and the other from UK. They offer INCUBATION PROGRAMS with REAL MONEY, not DEMO! Just to be clear - those are NOT PROP. FIRMS - those are Regulated Asset Managers. So you will have YOUR ACCOUNT, ON YOUR NAME AND YOUR MONEY! Too good to be true? Well, challenge me on a SKYPE call so I can show you and explain, then you can do your investigations if those Asset Managers are really Regulated and if they are a good fit for your Trading! This is no joke! You can really build a career with them. And I put MY NAME on them.

GOOD LUCK AND SEE YOU ON THE ***OTHER SIDE OF***



FREEDOM