



The Winning Day Trader's Mind

The Only True "Holy Grail" of Trading Success

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Acknowledgements:

I'm grateful to the DayTradingReport.com team that assisted regarding this Report. It's the fruit of lots of conversations and not a few arguments. ☺ Yes, Marcie, I know sometimes the way things are stated here sound rude, but it's only for your own good... so you can succeed at day trading. Day Trading is not like anything else, and most people have to be shaken into that awareness until they finally get it.

True story: Paul and Charlie

I have 2 day trader friends.

Let's call them Paul and Charlie.

Years ago they were "starving traders."

They were starving for information about day trading.

They couldn't get enough.

They met at seminars, trade shows, conferences, training programs. Many of these programs were very expensive.

They read the same books, watched the same videos, listened to the same audio recordings, bought (at exorbitant prices!) the same indicators, software and "magic plug-ins."

They acquired all the green arrow/red arrow, buy and sell, automatic support and resistance softwares. They bought all the popular systems, robots and magic indicators.

They studied (don't worry if you don't recognize these names, it doesn't matter)... Elliott Wave, Fibonacci, MurreyMath, options strategies, Renko 3 bar method, Market Structure Breakout, Pivot Point Trading, Gann Methods, Channeling, divergence strategies, News Trading, Spread Betting... they learned everything there was to know about candlestick reading, momentum indicators, chart patterns, breakouts, trading/fading the news, gap trading, fading the gap... they understood the implications of economic reports and earnings reports and other market movers... yes, they got very well educated and could definitely have taught classes in the university about trading.

Why did they do it? Well they would have been embarrassed to say so but they were looking for some kind of unbreakable, unbeatable system.

Something that would win all the time. They would never have admitted it, but it was true.

Yes, that's right, were in search of the Holy Grail of Trading.

Just about every new trader goes in search of that elusive and totally non-existent mystery, feeling that maybe, just maybe they will discover it.

And I can tell you that it is exactly at that point where you feel you may have found that Holy Grail of Trading, that you are most vulnerable to losing ALL your money as fast as you can blink your eye.

But the search IS an amazing one. It's like a hero's journey. It's like a money honeymoon. You've fallen in love with a beautiful dream – Day Trading – and then you go on a honeymoon.

It's great fun at first.

It was a lot of fun because they really felt they'd set the world on fire with our trading once they "got it."

Like any magic treasure hunt, it's exhilarating.

While it lasts... and if your money holds out - and until you discover the truth, which is that you are chasing a mirage.

You hope against hope that you will find that one system that will magically produce the profits you so desire... will catapult you into being an expert and successful trader.

Ultimately the same thing happened to Paul and Charlie that happens to almost every single new day trader.

They began to discover the truth.

They were still energized and dedicated to the cause of becoming day traders... but beginning to glimpse the truth, which was much more harsh and raw.

They were totally obsessed and totally passionate.

In the end, after all the research, study and practice, they agreed and settled on the same method, the same software and the same futures markets.

They figured they had spent over \$200,000 on all this education, and incidentally never regretted spending a penny of it.

That's not unusual, by the way.

I know traders who have spent that much as individuals to get trained as day traders.

And some of them have never made a dime on their trading.

That's not a criticism!

I think I can speak for many highly intelligent, capable, successful people who come from different careers and walks of life into trading when I say that trading is one of the most challenging and confounding activities you can do.

This is weird, because it's also one of the easiest things to do.

- It literally takes close to zero education, skill, knowledge or experience to place a trade... or even have it turn out to be a winner. It could be done by a monkey.
- To make things even more confounding, the actual methods of trading itself are – especially in our time where computers and programs have become amazingly responsive and easy to use

– very fast, easy and simple. I know many programs where all they have is basically a green light or arrow up for buy and a red light or arrow down for sell.

So what's the problem?

Why did Paul and Charlie -two very smart and successful guys in other walks of life – have to work so damned hard and spend so much money to become profitable day traders?

Let me say what I mean by "successful guys."

Paul is an ex Air Force pilot, a literal Top Gun. He qualified in the top 1% of his graduating class at a prestigious university in aeronautical engineering. He actually is a rocket scientist. He is now an international pilot and has authored 2 books that are used in higher education in engineering.

He left all of that to become a day trader.

Charlie is an attorney. He specializes in corporate law and has been involved in litigating some very big and high profile cases in the last couple decades. He's definitely one smart cookie.

But after all is said and done his real passion is day trading.

So I guess you could say that Paul and Charlie could qualify as a little smarter than average bears, definitely smart enough to click "buy" when a green arrow shows up on our monitors and click "sell" when a red arrow appears on our monitors.

And make a financial killing at doing so, easily.

You'd think so, right?

Nope, not by a long shot.

Let me continue the story and you'll see what I mean.

At the point we were last in the story of Paul and Charlie, it was about 8 years ago.

Where are they now in their day trading?

Paul has literally made millions of dollars trading futures. This was after losing 3 trading accounts of \$20,000 each.

I mean completely losing them, kaput, money gone.

Charlie has traded "live" (with real money) off and on, but frequently he still trades in "demo" or practice mode; he calls it "testing," and he likes trying out new systems and experimenting with trading them. He lost one account of \$20,000 – but now he makes about \$18,000 a year in trading.

Now I'll never criticize anyone who makes a profit in trading, but you can see what happened.

Paul is a millionaire through his trading and Charlie barely makes minimum wage.

On a daily basis, Paul and Charlie spend about the same amount of time trading as each other – 3 hours a day, each morning, plus time to review their results and charts later in the day.

If you ask them, they are both still as passionate about trading as they once were, although they both see trading quite differently than they did a decade ago.

So the real question is this:

What is the difference between a trader making \$18,000 a year and one who has made millions of dollars on his trading?

Let me quickly summarize the situations of Paul and Charlie, and as I'm going along here, see if you can solve this puzzle about how one has made so much money and one so (relatively) little.

About Paul and Charlie...

1. They are both bright and successful trained professionals from other careers. They are sharp and well educated guys who have been leaders in their careers preceding their life as day traders.
2. They attended the same trading education seminars and programs and have the exact same education as one another in day trading.
3. They both are deeply passionate about trading and neither one has lost his enthusiasm for trading... both will talk your head off for as long as you'll listen to them about trading.
4. They both will give you the same answers about questions regarding trading... they have the same education and the same theories and concepts. They both KNOW trading inside out.
5. They are using the exact same software and the same indicators. The same time frames, the same settings, and trading the same market as one another, the same hours of the day. They have the same things written down for their Trading Plan. They actually discuss and review their Trading Plan with one another regularly and review their trades with one another.
6. They both started out with fully adequate capitalization in their accounts, plenty of money to trade the market they decided to play in, so the difference is not in capitalization (a problem many people try to ignore by under-capitalizing their account or trying to play big with too little money). Not a problem here.

7. In case you are wondering this, they are both very nearly the same age. They both have wives and grown children and travel in the same social circles and have many friends in common.
8. They both are moderate drinkers, exercise and eat well, fairly athletic, and are avid golfers.
9. Neither one has had any serious illness or inordinate traumas in their lives. Nothing so severe or out of the ordinary that it would likely be the cause of this difference

Any other guesses about why these two get such different results from their trading?

If you said Paul and Charlie have a different trader mindset from one another, you'd be right.

And if you said they have different trading habits, you'd also be right.

You see... as you have surmised, they SEE the same trade setups.

The difference is, Paul takes every one of them that sets up instantly and without analysis.

Charlie has to talk himself into trades.

This means that Paul is in the market a lot and once in he only has the job of managing the trade, managing stops or exits, managing contract numbers and exits.

He doesn't think about whether the trade is "really" valid. It only has to be "good enough" for him to get in.

Charlie ends up talking himself out of trades consistently. Then when he does get into a trade (maybe 1/4th of the trades that set up) he often ends up in break-even situations or losses, having missed the earlier trades.

Paul and Charlie both agree that the best time in their market is the first hour after the market opens. Paul's biggest trades tend to come during that time.

But Charlie puts off getting into trades so he often gets into the later in the morning trades that historically hold less potential for bigger moves according to their analysis.

Charlie tends to exit trades too early in the move, and he himself calls this a "weakness."

Now here's an interesting thing.

Charlie's winning percentage is actually higher than Paul's.

Yes you read that right.

Charlie wins a bigger percentage of his trades than Paul does.

The differences are that Charlie makes far fewer trades and Paul has many multiples of large winning trades over Charlie.

In other words, Paul loses more often in his trades than Charlie does, and his winning percentages actually wouldn't be considered very high by most traders.

This is a key point.

Most traders are looking for those high percentage winning trades.

It feels good to win trades... but it's not where the most money is.

The most money is in taking lots of high probability trades, taking frequent profits and occasional big winners.

Charlie hates losing and feels bad when a trade turns into a loser.

Paul “loves” losing, because to him this means he is “in the game.”

Charlie likes to “understand” his trades.

Paul likes to get into trades to see how they will turn out. Paul “tests” his trades in the real world as they are happening. His view is “well let’s see if this will work.” He’s realistic and his attitude is the true trader’s attitude. He sees trading as based entirely and completely on probabilities.

Charlie still “does research” on the trading methods and systems, always doing back testing on historical data. Charlie STILL has not accepted the truth of what trading really is. Even though he would say he isn’t, Charlie is STILL seeking that “Holy Grail of Trading,” and is driven by a hope that some day he will be able to figure it all out so he will not lose and will always win.

Charlie is a researcher and idealist.

Paul is a trader and a realist.

If you are going to succeed at day trading you must emulate Paul and not Charlie.

Unfortunately the vast majority of wannabe traders are like Charlie... and unfortunately the “Charlies” of the trading world will never reach their potential... unless they can somehow change their ways and be like Paul.

Principle 1: Probabilities

Trading is a totally probability based game

Imagine that a coin has been flipped.

If heads comes I will win one dollar, if tails come you will win one dollar. This is very simple that both tails and heads will come half times and neither of us will lose or win in 100 coin tosses.

However what if you have a coin loaded very accurately to come up 51 times out of 100 for tails?

In that case you can print money.

You'll always win over time. This is how the casinos always win.

They have their systems loaded so they win 51% of the time. It's just enough to keep people interested in continuing to gamble (they need players to keep coming in, because their system depends on VOLUME).

If you own the tails-loaded coin, you just need to find enough people to bet on heads and you'll keep winning over time.

Now this is the way professional trading works too.

Trading systems are only slightly loaded coins. One can bet that over time a good system will win slightly more often than it loses.

When you combine this with great money management, time and numbers of trade, you will become a consistently profitable trader.

That's basically all there is to it.

And there are lots of systems that can win and will continue to win 51% of the time or better.

For example, trend following, moving averages, oscillators, pattern breakouts, Fibonacci support and resistance, channel trading and playing the opening gaps.

These are all adequately defined in readily available trainings, software and trading courses. All you need to do is learn them and practice probability trading.

Like Paul does.

Unlike Charlie does.

All you need is a slight edge in the market and you can make money consistently.

A good trading system does nothing more than point out historically probable trading entries and exits and where and how to place your stops.

Search for the trading system that you prefer or feel comfortable using, and that you understand.

I prefer very simple methods, but if you are a person comfortable with a little more complexity, go for it. The main thing is...

Try to be consistent and stick to it.

This means working on yourself, and calming yourself.

The Trading System or Method you Use ALMOST Doesn't Matter

If suddenly Paul couldn't trade his system anymore because of some weird circumstance or rule or other imagined prohibition, it wouldn't matter.

You could show him another system, teach it to him and as long as he could learn it and execute it, he would very soon master it and be right back into profits.

On the other hand, you could put any system in the world in front of Charlie and he would get similar or worse results than he is now. The problem is that our friend Charlie would end up back testing it for 2 years just to see how it worked historically and maybe never get around to actually trading it.

The problem is that you never know when the "big trade" is going to happen, so you have to learn to take ALL the trades your system generates

Another reason you must trade probabilities is that the larger part of your success depends partly on taking small losses, and partly on taking small profits, but mostly on hitting the occasional "runner" or big trade.

Those trades can boost your bottom line very nicely.

Problem is you never know when they are coming... so you have to take ALL the trades your system or method sets up, manage them

right and be ready at all times for your current trade to possibly take off in your direction.

Remember that the casino wins on volume gambling, not on just a few transactions.

You need to be the same. Go for volume, managing your trades correctly as taught by the system you're using, but take all the trades your system "tells" you to take.

Plan Your Trades and Trade Your Plan

This is another one of the "old saws" in trading, but it's seldom understood. What it really means is exactly what I just explained.

Have a method.

Write a trading plan based on that method.

Then follow it and take all the trades, just exactly like the casino does.

The casino management doesn't sit there and say "should I accept this person's wager?"

The casino accepts all legal wagers.

And then proceeds to win.

WRITE OUT YOUR TRADING PLAN and keep it at your side at all times.

In another report we offer, called The Winner's Day Trading Plan, I will give you details about how to do this.

Be sure to read it thoroughly, because it tells you exactly how to write one out.

Let me just mention these factors here.

A Trading Plan consists of 3 parts.

1. Setups: Conditions of your trading method. Tells you exactly what the conditions are for high probability trades.
2. Entries: Conditions describing exactly where you should enter the trade for the best potential of winning, and where the stop should go.
3. Exits: Conditions describing exactly where you should exit the trade for the best potential of profits, and if you are trading multiples, where the multiple exits should take place (the conditions).

Make the trading plan short and pithy.

Try to make it fit on a business card.

Have it laminated and then keep it with you in your pocket and on your desktop at all times.

One very powerful exercise is to write it out BY HAND 50 times.

The hand viscerally and through the autonomic and voluntary nervous system connects and grounds this to your brain and body.

After all, it is your hand (though your mouse clicks) that will be entering the trades. Your whole body needs to be hooked up with the trade to execute it right.

Calming Your Mind

It's very important to have a calm, confident mindset when trading.

Most "trading coaches" make this way too difficult.

Do NOT complicate this process (a la Charlie). Be like Paul.

There are only three things needed:

1. Confidence in the logic of the probabilities of your method
2. A belief in yourself that you will follow the plan.
3. A calm, steady hand that will consistently execute the trades without too much interference from your "always restless mind."

In my opinion the best way to achieve all of these things is to ask for help from God. Why settle for less than the help, guidance and calm that can come from direct connection with the Creator and Sustainer of the entire Universe and of everything we are and can be?

I say this simple prayer: "Dear God, help my mind to be clear and logical, help me to execute the trades as I have them written in my plan, and keep me calm and steady. Keep me from all distractions and temptations while I trade. I do this work to serve you and provide for my family and loved ones; help me serve You better. Amen."

As human beings we need help. Simple platitudes and "affirmations" telling myself "I will keep steady to my trading plan" almost always fail – if you are having trouble already doing so.

I'm always in favor of the easiest shortest and most effective way to achieve good things.

In this case, why mess around with minor “bandaids” such as affirmations, meditation or self-soothing if you can skip all that and go directly to God to ask for His help?

You may have a method that works for you better or more quickly, though I cannot imagine what it might be.

In any case, don’t underestimate this issue. Face it head on.

If you don’t face it you won’t be successful as a trader.

How to Be Successful Every Day

There are different schools of thought about goal setting in day trading.

Some say set a specific number of points for the day or week.

Others say set a specific money amount for the day or week.

I say that is a mental setup and will not serve you well.

Much better is to set this goal: Trade well and take all the setups that your trading plan gives you in today’s market.

Here’s why I say this.

If the market is in a very narrow range today and no trades set up according to your plan... and you haven’t made your goal in money or points... aren’t you a failure today according to that system of goals?

By that standard you are a failure as a trader today.

But if your goal is to trade well according to your setups and you didn't GET any setups in today's market because the market was trading in a very narrow range, did you reach your goal by NOT taking any trades?

By THIS standard, you are a SUCCESS as a trader today.

You can't determine in advance whether the market will give you the setups you require by your plan in order to trade well.

Thus, why define your success or failure on the basis of EXTERNAL factors over which you have no control?

The only part of success you have any control over is your action.

Can your action create a market?

No.

Can your action make the market behave and give you trades that fit your plan whenever you command it to do so?

No. Some days I admit I wish I could do this, but no one of us can do this.

Can your action (whether taking a trade or not) demonstrate your steadfastness to your trading plan and your trader's mindset?

Yes it can.

Therefore, you CAN be successful every day in following your trading plan, can't you?

“So-Called Self Sabotage: Trash Talk”

Pop psychologists are always coming up with terms to make you feel terrible about yourself.

I guess they would be out of a job if you didn't hate yourself.

As a long time veteran psychologist let me give you the most important word of advice you'll ever get.

Don't ask “why.”

Never ask “Why am I sabotaging my trades/not getting the results I wanted/meeting my goals” or any other variation on that theme.

You'll ALWAYS get an answer that makes you feel worse.

There's a part inside all of us really hoping for the chance to scold and condemn us. Just do an end-around on this part of yourself, and don't give it any heat.

It's no way to run your life, always seeing ways to make yourself feel worse about yourself.

Do not worry if you have some part inside of you that might “need healing.” Ignore it. Focus on your strengths and ignore your weaknesses.

Your so called “weaknesses” will never serve you.

Only focusing on what is best in you will serve you.

The only form of self-sabotage that truly exists is the one where you turn yourself away from your strengths and focus on your weaknesses.

FOCUS ON YOUR STRENGTHS!

Much better is to go around this and go directly for results.

I recommend instead these three:

1. Have a purpose. Make sure you know why you are trading, what it serves. Are you doing it to help your family, to accomplish something, or for what reason? You need to have a purpose. Keep your mind steadfastly focused on that purpose.
2. Have Faith. Believe that you are always, continuously and uninterruptedly moving toward your purpose toward a higher, better, more efficient, more loving, more accomplished, freer and more fulfilled you, in the presence of others whom you love, respect and with whom you share.
3. Have Gratitude. Gratitude is the most powerful force – and feeling – you will ever experience. When you are grateful it connects you to the highest form of being and always brings you closer to the core of power, meaning, joy, love and fulfillment there is.

Your Responsibility as a Day Trader

The world does not owe you a living of course.

You cannot expect anyone or anything to EVER give you anything at all, nor should you try to extract anything from anyone.

And in my opinion you don't owe the world anything either.

This doesn't mean you can't give and receive freely what is given to you or what you give.

That's all up to you. None of it is required.

What you ARE responsible for is managing yourself.

You are responsible for your feelings, your thoughts, for the actions you take and for the impact of your actions.

You and you alone are responsible for every trade you take and the results of that trade.

Life is NOT fair. It never was and it will never be.

Some will succeed and some will fail.

Some will be rich and some will be poor.

You and I did not create this world and there's no way we can understand why these things are this way... we can only do our best and make the best of everything that comes our way, and be grateful.

Beyond that it is our duty to become rich.

I know this flies in the face of what many religions and individuals teach, and some of those people consider themselves "spiritual."

Rid yourself of the idea that God wants you to be poor or that it's nobler to be poor or not have things or opportunities.

Whoever you are, and whatever you are, having more money will just bring out more of who you are.

Since you are a good person, having more money will just help you be an even better person.

When you have more money you can express more of yourself.

You can develop yourself, have better health, and contribute to the things you wish to contribute to.

You can deepen and broaden your horizons.

It is better to be rich than to be poor.

Why do I bring this up?

Because as a psychologist and trader, in speaking with colleagues or people who consult me, I often find that people feel nervous about making LOTS of money.

We have so many messages about money being "evil" or "the root of all evil" or other nonsense.

I'm inviting you to clear the decks of all that nonsense and recognize the truth.

You can be more of who you are, and contribute more by being rich.

Dismiss any negatives you have about money and give yourself permission to make a lot of money through trading.

Ask God to help you and He will.

Enjoy trading.

Enjoy making as much money as you can through trading consistently and well.

Don't be like Charlie, full of ambivalence and hesitation and overthinking.

There's no need for that and it won't serve you to always be thinking in this way.

Be like Paul. Trade effortlessly with Faith, Purpose and Gratitude.

It's the only way to trade.

To get 2 more powerful and effective books that will help you immensely in your day trading - for free - please visit

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