



TRADING
EASYREAD

200

SHORT TRADING
PSYCHOLOGY TRUTHS

Includes an Excerpt of my acclaimed book
PARADIGM SHIFT

YVAN BYEAJEE

TRAADING **E**ASYREAD **S**ERIES
Vol. 1

200
SHORT TRADING PSYCHOLOGY TRUTHS

By

YVAN BYEAJEE

Copyright © 2015

<http://www.tradingcomposure.com>

.

Cover by Miguel Carlos

INTRODUCTION

Money management, system, and psychology are important matters of discussion as each plays a fundamental role in the trading conundrum. Consequently, there are numerous volumes of books out there on each of those three components. And quite often, the principles and concepts expressed in those books can be daunting and difficult to comprehend. While there is certainly value for some authors to maintain that illusion of complexity as it gives them credibility, and it makes their books appear bigger, better, and more valuable, it does present a major problem for the reader. It promotes analysis paralysis and it makes trading appear difficult, confusing, and challenging when it needs not to be the case.

The idea behind this Trading Easyread book series is to take the concepts of money management, strategy, and psychology, and present them to you in an easy-to-read format, for free, or usually for the price of a coffee. I do extensive research for my books, and I also draw from personal experience as I try as much as possible to convey to you, simple, concrete, and straight to the point information that you can start applying right away. This is the kind of information I wish I had when I first started out, and I firmly believe that it will allow you to be light-years ahead in your trading journey!

Yvan Byeajee

TABLE OF CONTENTS

[Introduction](#)

[Table of contents](#)

[Trading psychology](#)

[200 short trading psychology truths](#)

[Excerpt from Paradigm Shift](#)

[About The Author](#)

TRADING PSYCHOLOGY

“Your biggest enemy, when trading, is within yourself. Success will only come when you learn to control your emotions.” Edwin Lefevre

While a proven edge and a sound risk and money management technique are important, psychology is what glues everything together. The reason for that is rather simple: Trading is a very tough profession as it requires us to take quick and often counter-intuitive decisions. And most of the time the quality of these decisions is affected by myriads of factors based on our current mental state – are we sad, happy, anxious, depressed; are we hungry, tired, etc. These decisions will also involve all of our beliefs about money, certainty, failure, right and wrong, and so on. When you’re forced into making quick decisions, if you are incognizant and unaware of your inner states, the strongest thoughts, feelings, or emotions are going to prevail. So to succeed as a trader, we need a certain presence of mind and an awareness of our inner states.

I don’t believe we should attempt to control our emotions, as the above quote suggests -- if by this logic, “emotional control” suggests eliminating or suppressing emotions. Edwin Lefevre among others, although well intentioned are unknowingly responsible for the spreading of certain platitudes, conjectures, and fallacies that people take for granted. I have been trading for 8 years now and I still can’t figure out what it means to control emotions, or to trade without them. From personal experience, even though I’ve been trading for quite some time now, the emotions never go away completely. So, rather than “controlling them” we have to learn to sink beneath them. In other words, we don’t associate ourselves to them anymore. We become passive observers of our thoughts, feelings, emotions, in such a way that they do not impede our behavior anymore. By means of observation, we become detached from them!

The character of this conversation we're constantly having with ourselves is by and large what engineers our results. Our worries and anxieties, self-doubts, and self-criticisms -- they demand expression, and they will find a way to do so when we interact with the markets. Thoughts are necessary and we couldn't navigate our lives without them but this automaticity of being lost in thoughts; of identifying with them, and not knowing that we're thinking is really the root cause of our mediocrity. This is something that I address in my acclaimed book, *Paradigm Shift*, which you will find an excerpt of at the end of this book. I also delve further into the subject in my upcoming book, *Zero to Hero*.

The good news is that there is hope, and introspection allows us to inquire about the nature of our mental occurrences. The short trading psychology truths you're about to read came to me through my humble encounters with my own mind. I hope you can find them useful, more so insightful. Feel free to email, print, and share them at your convenience, but please do credit me for them.

Thank you!

200 SHORT TRADING PSYCHOLOGY TRUTHS

1. When losses can't strip you from your well-being, you know you've matured as a trader.
2. There is always more to be learned from price action than from news.
3. Good trades become good memories; bad trades become good lessons.
4. When you lose money, it is human nature to want to make it all back twice as quick. Slow down, keep focused, and stick to your strategy.
5. Never trust a trading guru who claims to have all the answers.
6. To get long term consistency you must create your own system by absorbing what is useful, discarding what isn't, and adding what is uniquely your own.
7. The over-identification to thoughts and feelings is what causes us to deviate from our methodology. Become a mere observer of your inner conditions instead of acting on them.
8. The first and best victory, for good traders, is not the money; it is to conquer the self.
9. Learn the ability to be happy unconditionally. This way the markets can't take that happiness away from you.
10. If you are feeling uneasy about a trade, ask yourself the question: How would I place, manage, or exit that trade if it were to be the last I ever placed?
11. Trading mastery won't be easy. It will hurt as you work towards acquiring skills. It will take patience, hard work, discipline, but it will be worth it!

12. Accept what you can't change. Change what you can't accept. In a nutshell, that's the key to success in the markets.

13. Don't look for your trading dreams to come true, look to become true to your trading dreams. Follow your plan; follow your rules!

14. Trading consists not in holding good cards but in playing those cards you hold well.

15. Anchor that in your mind:

-- It's a process

-- It's a process

-- It's a process

Trading success takes time!

16. If you are wrong but still make money, you are a trader.

17. It is not whether you win or lose on any particular trade but whether you make money over a set number of trades.

18. Winning in the markets is a function of habits. Unfortunately, so is losing!

19. Experience tells you when to trade; confidence allows you to do it.

20. The more you trade (a proven methodology), the luckier you get!

21. Trade what you actually see, not what you think you see.

22. As traders we have to be able to center ourselves; that is when we can see the markets with the greatest degree of clarity.

23. You cannot predict markets on a trade by trade basis. But you can control yourself, and that is the key to success in this field.

24. If you are going to become a great trader, you must be willing to pay a

great price – sacrifice, hard work, and dedication. That's the way it goes.

25. Follow your plan and not your fears.

26. Discipline in trading means doing what you should do rather than what you want to do.

27. Focus on your losses and you will have more losses. Focus on the opportunities and you will see more opportunities.

28. When you become an observer of your thoughts, feelings, and emotions instead of an actor, you will have control over your actions in the markets.

29. If you spend too much time thinking prior to entering a trade, you will never put it on. And if you do, you will do it at the wrong time.

30. Trading the markets is living a few years like most people won't, so that you can spend the rest of your life like most people can't.

31. The best traders are perpetual students of the markets.

32. The origin of most trading woes is found in the inability to manage stress.

33. Accept failure. Everyone fails at something; but do not accept not trying.

34. You can't let winning trades or losing trades get to you. It's a weakness to get caught up in either one.

35. Success in the markets is a function of our ability to do (or not do) things that are (or aren't) in our best interest.

36. Be a confident trader, not a cocky one. There is a difference.

37. The more we do what we have to do in the markets -- the more we follow our plan -- the more it becomes part of who we are.

38. When in doubt, stay out!

39. Trade your set of rules, not your impulses!

40. It is neither your analytical skills nor your math skills that will make u a great trader. It is your determination.

41. Trade for the love of it, not for the money. Money is just a by-product and comes as a result of trading well.

42. Limits like fear exist only within the confines of our minds. Once we truly acknowledge this, we can work on being the best traders we can ever be.

43. Do not compare your results to others. If you want to see your biggest competition, take a look in the mirror.

44. Durable success in the markets is almost always a function of self-knowledge.

45. Enter every trade without giving mental recognition to the possibility of feeling defeated by losses.

46. Trade often:

- To minimize the impact of any single losing trade
- To build skills and refine your craft
- To make the probabilities work in your favor

47. Keep your size small:

- To reduce the risk of ruin
- To reduce emotional involvement
- To give you the chance to learn from your mistakes without major consequences

48. From the market's perspective, every up or down tick is just information. You are the one putting context behind that information.

49. It is a bad idea to follow other's trades. Learn to trade and trust your own

system, time frame and objectives. Don't wait for the fish; learn to catch it yourself!

50. Don't focus on the individual fluctuations in your account. Keep this in mind: Winners, losers, what count are your long term results.

51. Winning traders execute their plan methodically, losing traders make excuses.

52. The purpose of trading is to make money, but if you focus too much on the money, you'll end up shooting yourself in the foot.

53. In essence, if we want to improve our trading, we must adopt consistent actions.

54. At the end of the day, the markets don't owe us anything, so don't attach your well-being to them.

55. Never mistake luck for talent. Know your methodology and adhere to it by all means.

56. Before everything else, preparation (prior to market open) is the secret of trading success.

57. Sometimes the best trade is no trade!

58. There is no opportunity without risk. Understand this, trade small!

59. Remember, if there is no set ups, do not force any trades. Go fishing!

60. The markets can't hurt you. Only you can!

61. A good trader is someone who recognizes that he cannot predict the markets.

62. Overtrading doesn't exist for someone who trades a proven methodology.

63. If you are looking for a Holy Grail trading system, stop the search, there is none! You are the key to the trading conundrum. Mastering oneself = \$\$\$

64. If you feel uneasy or conflicted, it's probably not a good idea to trade. Take the day off and reassess!

65. Without self-discipline, trading success is impossible, period!

66. Trading is meant to be a challenge, and challenges make you grow.

67. Those who can free themselves from their thinking will surely make it in the markets.

68. In the end, the monetary gains aren't the real prize. The journey is!

69. In trading or in life, never compare your chapter 1 to someone's chapter 20...

70. Great trading stems from great trading practices.

71. The way to trading mastery is not in the myriads of systems. The way is in the mind.

72. Can you make money in the markets? Yes! Is it easy? Hell no! It will involve all your beliefs about failure, money, being right, uncertainty, etc.

73. Trading mistakes are a function of the internal dialogues we have with ourselves. Trading mastery is the kind of dialogue we don't have!

74. How can you expect consistent trading results if you don't have consistency in your life.

75. Do not dwell on past trades; do not dream of future trades. Concentrate the mind on the current trade.

76. As traders, our biggest problem is our thoughts. Reduce the thinking to the bare minimum!

77. Good trading will make your day or week, but it takes entrepreneurship to make a trading career.

78. Successful trading is a function of the kind of habits you have. Unsuccessful trading also! You decide which one you want.

79. If you can't turn your attention inwards, you can't be a trader. Simple as that!

80. We cannot flow with the markets when we are too much in our heads.

81. We all have dreams of making enormous amounts of money in trading. But it takes a lot of determination, dedication, and discipline to make that dream a reality.

82. No matter how long it takes for you to become successful in trading, if you work hard at what you love, you are still lapping every couch potato.

83. Trading is a game of inches. Everything that contributes to providing us with an edge shouldn't be ignored. Sleep, nutrition, hydration, exercise – all these things matter!

84. Maturity as traders is when we are able to detach ourselves from our ego. This liberates our potential to trade from a care-free mindset.

85. If you are trying to become a successful trader, there will be roadblocks. I've had them; everybody has had them; but obstacles don't have to stop you.

86. Trading success is never permanent, and failure is never final. Enjoy the journey!

87. Trading should be made as simple as possible, but not simpler.

88. If there ever existed no possibility of failure, then trading success would be meaningless.

89. If you want to outstanding results in the markets, you have to be willing to fail.

90. The pessimist trader complains about unexpected market action; the optimist trader expects it to change; the realist trader adjusts...

91. Trading to the best of your abilities at this moment puts you in the best place for the next trade.

92. The good trader is a doer, not a dreamer!

93. Don't compare your results to someone else's. You can never be another person; you can only be a better version of yourself.

94. The difference between a pro trader and an amateur lies not in their methodology, not in their knowledge, but rather in their ability to follow their set of rules.

95. We, traders, either suffer the pain of discipline or the pain of regret.

96. Your motivation to succeed as a trader must be absolutely compelling in order to overcome the obstacles that will invariably come your way.

97. Nothing is ever wrong. There are no mistakes; no failures. We learn from every step we take. Whatever you did today in the markets was the way it was meant to be. Find wisdom in your every action!

98. Every success story in trading is a tale of struggle, reassessment, and adaptation.

99. Your beliefs about myriads of things have the power to create your success in the markets. It also has the power to destroy your account.

100. It is the worry that gets you, not the actual loss.

101. You must expect failure as part of your trading journey. Failure and success go hand in hand; you cannot have one without the other.

102. We need emotional intelligence when trading the markets. It is not all math and logic. And that is what makes it challenging for most.

103. Trade well in the present and your future results will take care of themselves.

104. Don't just read trading books and blogs. You may be entertained by them, but you will never grow from them without practical application.

105. As a trader you must face your fears and limiting beliefs about money, certainty, being right, etc., to develop your self-belief.

106. Luck is predictable in the markets. If you want more luck, take more chances. Be more active. There is no overtrading if you have a tested methodology.

107. Successful trading is a matter of waiting for the right moment to act.

108. The point is not to avoid trading losses but to go through them with stability.

109. If you want to trade for a living, decide today that you won't give up on your dreams and keep pressing.

110. Understand that there is no greater wealth in this world than peace of mind. Work on that instead. Money will take care of itself.

111. You will never trade consistently until you change something you do daily.

112. Your goal is not to be better than the other trader next to you. Your goal is to be better than the person you were yesterday.

113. I think all traders should find the time to sit in meditation for 20 minutes a day -- unless they don't want to, or they're too busy, then they should sit for an hour!

114. If you are not a risk taker, you should get the hell out of trading.

115. However many trading books you read, however many traders you follow on social medias, what good will they do you if you do not act?

116. It is the trader's own mind, not the markets that causes him to lose.

117. Markets are responsible for 10% of what happens to you. 90% is how you respond to it. That's trading in a nutshell.

118. As traders, we've got one job, and it is to get better at what we do. Forget the damn money already; it is causing you to shoot yourself in the foot!

119. No one can bring us trading success but ourselves. We, ourselves, must walk the path.

120. Keep calm. You will not be punished for your anger and frustration; you will be punished by them!

121. It is imperative to make your trading decision before you enter your trade, before you are subject to the wild emotional swings.

122. Trading small will help you keep emotions in check. You will have plenty of time to increase your trading size once you become a competent trader.

123. Be sure to put on many small trades and carefully document every entry and exit. Good records allow you to learn from experiences.

-- An edge in the markets

-- Emotional balance

-- Capital

124. If you don't have these three, don't compete!

125. Even though we talk about "trading the markets", we can only trade our

rules. So trade them well.

126. Every time you choose to perform a good or a bad trading habit, it's a vote for that type of identity.

127. The longer you trade, the more you learn -- practice will make you a better trader.

128. Believing that markets will conform to your expectations on a trade by trade basis will be met by sheer frustration, disappointment, and ruin.

129. You have power over your mind — not the markets. Realize this, and you will improve your trading.

130. People erroneously see trading success as an event. It is not! It is a process!

131. If you know neither the markets nor yourself, you will succumb in every battle.

132. Fear, greed - these only exist in your mind! So when you practice staying outside of your head, that's when you begin to see markets objectively.

133. If you have lost money today, think of what a privilege it is to be able to participate in this game. What challenges us makes us grow.

134. Discipline as a trader means doing what you should do rather than what you want to do.

135. Anyone can call himself a trader; however, a good trader shows what he is really worth when he is tested by the markets.

136. If we want better trading results, the quality of our decisions has to improve.

137. Never give up on a trade until a risk management stop-loss has

triggered.

138. Desire is what gets you started as a trader; discipline is what gives you results.

139. You will rarely catch the top or the bottom, so most of the time be content with a chunk out of the center.

140. If you know the markets and know yourself, you need not fear the result of a hundred battles.

141. Most people dabble their way through trading, never deciding to properly test and master a particular trading strategy. Big Mistake!

142. Experience is knowing when to enter a trade and when to exit it. Skill is knowing how to do it. Virtue is doing it.

143. Don't blame markets for your decisions. Take responsibility, your trading will improve.

144. Nobody's a natural at trading because all of this stuff is counter-intuitive to our nature. You have to work hard to get good at it.

145. Once you choose to accept yourself as a trader, then, and only then, can you work on being the best version of yourself that you can ever be!

146. The function of risk management is not only to preserve your capital; it's also to protect your emotional well-being.

147. Be thankful if trading is a little harder than you'd like. A chunk of coal cannot become a diamond without heat and pressure.

148. Traders who accept that the future is unknown generally don't personalize their positions and cut ties quickly.

149. Don't give up what you want most (market success) for what you want now (short term emotional gratification).

150. When you embrace uncertainty that is when markets start giving to you, instead of taking from you.

151. Trading is a very psychologically rewarding endeavor because it often looks like it cannot be done.

152. Trading success can be a function of two things: Luck, or skills. One can leave you in an instant; the other is more durable in time.

153. It is not a problem to make trading mistakes; everyone does, but it is a problem if you don't learn from them.

154. Losing traders think they have all the answers. They can't learn because they're busy telling everyone what they know.

155. Being a trader is ultimately an act of competing against yourself. It's about self-improvement; about being better than you were the day before.

156. Good traders come in each day with a plan formed outside of market hours. They know their levels; all they must do is "click".

157. Only to the extent that you expose yourself over and over again to trading losses and failures, can that which is indestructible arise within you.

158. It is much easier to trade fearlessly when you embrace failure as your teacher.

159. Trading success isn't the key to happiness. Happiness is the key to trading success. If you love trading and work hard, you will be successful.

160. It is ok to admire someone else's trading results, but never compare them to your own. We all trade different time frames, methods, and beliefs.

161. To become a trader is to study the self. To study the self is to forget the self.

162. Show me a trader who has never made a mistake, who has never experienced failure, and I'll show you someone who has never achieved success.

163. The goal of a good trader is not to make money but to trade well. If a trader trades well, money will follow.

164. Every trading decision you make is not a decision about what to do. It's a decision about who you are!

165. Traders: above all, enjoy the ride!

166. The market itself is your teacher, and you are in a state of constant learning. Accept the lessons with grace.

167. If when you lose on a trade, you learn from your mistakes (if any), and it motivates you to work even harder, you're onto something!

168. Knowing the game is not enough, we must apply. Willing is not enough, we must do!

169. To improve as a trader is to be open to change.

170. Discipline in the markets is the bridge between goals and accomplishment.

171. Trading success is an iceberg. People only see the top. What lies beneath is failures, mistakes, losses, persistence, and hard work.

172. Adversity causes some traders to break; others to break records in terms of results.

173. It is ok if you trade and lose, but it's not ok if you fail to trade. Success comes when you take your chances. Stay active, trade small, and keep learning.

174. If you follow your dreams and spend your life doing what brings you

joy, you are more likely to find success.

175. Our health always seems much more valuable after we lose it. Don't make trading the center point of your whole life.

176. Money is just something we need in case we don't die tomorrow. Trade for the love of trading, not for the love of money!

177. If you assume that your excellent math and analytical skills will automatically translate into success in trading, you are dead wrong!

178. The mental resistances you fight in the markets and the ones you fight in life are one and the same. Once you prevail over them, you take control of your life.

179. The voice in your head that says, "You can risk it all on that one trade" is a liar.

180. Winning in the markets can be a function of skills or luck. If it comes through luck, take the damn money and run! If it comes through skills, rinse and repeat.

181. Success in the markets isn't something that just happens. It is acquired through sheer perseverance in the face of failure.

182. Everyone gets their ass handed to them by the markets at some point. Only the best get back up.

183. If trading success is important enough to you, you will find a way. If it is not, you will find an excuse.

184. If you believe enough in your trading process, success will come to you. You just have to be willing to see it through to the end.

185. New traders: don't find the time to research the efficacy of your system, make the time!

186. Losses are intended to make us better, not bitter!

187. Never let a winning trade go to your head, or a losing trade to your heart.

188. Be decisive in your trading. A wrong decision is generally less painful than indecision.

189. Durable success in the markets isn't given. It's earned!

190. Trading opportunities are like taxis, there's always another one coming. Don't get attached to any single trades.

191. In the markets, we will act consistently with our view of who we truly are, whether that view is accurate or not.

192. After each trade, I want to be able to say "I executed the trade to the best of my abilities."

193. There are two types of traders: Those who truly desire success and those who are trying to avoid failure. The question is which one are you?

194. First rule of trading: everything is your fault! The sooner you accept this, the sooner you can work on improving the quality of your decisions.

195. As a trader, your job is to befriend uncertainty!

196. If you struggle with losses, ask yourself this: What's the worst thing that could happen as a result of those losses? Your answer should put a stop to your cataclysmic thinking.

197. In the end, trading is simply acting on what you can control as opposed to acting on what you can't control.

198. A good trader knows himself and works on leveraging his strengths as opposed to fixing his weaknesses.

199. Profits, although amazing, don't teach you much. Losses are the real prize!

200. Remember this: It's not how you start; it's how you finish! You can do this; you can be a successful trader. Don't give up!

-----..-----..-----..-----

EXCERPT FROM PARADIGM SHIFT

Chapter 1

The start

*“If you wish to know the road, inquire of those who have travelled it”
Japanese proverb*

The ability to manage emotions and remain calm under pressure has a direct link to performance. I wish I was aware of that when I first decided to become a professional trader. Things would have been much easier. However, things don't always happen the way we would have wanted them to. My interest for the financial markets started when I was in my teenage years. I remember my older brother showing me a financial website and eagerly saying “people actually make a living buying and selling stocks on a regular basis, you know”. Naturally, I was struck with curiosity so I started researching more on the subject; though, I can't say that that research was fructuous. Those were the early days of the internet, and trading-related information wasn't readily accessible within the click of a mouse, nor was it as inexpensive or free as it is nowadays. Yet, I did find enough information to spark my interest even more, firmly planting the trading/ investing seed inside my head. I remember being so fascinated, from such a young age, by compound return tables, quotes, and market related news. At that time, making money in the markets surely seemed easy -- just like a low hanging fruit waiting to be plucked. So I thought!

A couple of years later, I had saved a rather significant amount of money from various jobs I took throughout the years, and I went on to invest it all with a buy and hold approach. Despite the favorable market conditions during that period, this approach didn't fare so well for me. This led me to the

conclusion that the buy and hold approach doesn't work. Since this strategy never addresses the real issues for winning in the markets – such as, buying how much of what? At what price? Holding for how long? Do you ever sell? How and when? How do you make money in a bear market? – by definition, it doesn't fit into a positive expectancy mold. Unfortunately, by the time I realized this I had already lost a good portion of my investment capital. However, I had amassed enough knowledge in the field to slowly transition to trading on a shorter time frame, which I thought was better suited to my personality and overall aspirations. This shift in time frame and underlying methodology has also helped me better define my edge in the markets, and allowed me to create a significant number of trade occurrences. More on this later.

I wish I could tell you that the transition happened smoothly but this would be far from the truth. Before I was able to acquire consistent results in the markets as a short-term trader I went through significant drawdowns in capital – both monetary and emotional. From trading with “scared money”, to betting it all on one trade, to changing methodologies like one changes underwear, I made all the mistakes you could imagine. Those difficult but highly instructive times eventually made me realize that success in the markets is 50% psychology, 30% money management, and a mere 20% system. Of course, those numbers are subjective. Some people like to view these three components as equal. Some like to give greater importance to risk and money management. But personally I really think that psychology is the determining factor and deserves top attention. Without the right psychology even the most robust system is doomed to failure. Similarly, risk and money management will only assure “death by a thousand paper cuts”, supposing we can get to the point where we can efficiently manage risk in the first place. Regardless of the kind of positive expectancy our system displays, if we are unable to follow our rules and execute our trades properly with minimal trading errors we will surely find trading to be an exasperating endeavor.

The right psychology also encompasses the appropriate work ethics. Trading – or should I say successful trading – requires a lot of work, dedication and sacrifice. Honestly, I must admit that I am happy that things are that way. If things were easier everyone – neighbors, uncles, grandmothers - would be successful traders and make a boatload of money. There would be no

challenge, no fulfillment, and no desire to achieve. In other words, the world would be a very boring place to live in. Conquering difficulty has the potential to give us an immense feeling of satisfaction. When something is difficult, overcoming it feels like a real triumph and this creates an amazing experience. A positive feedback loop when activated generally begets more success. This is because though the challenges may seem impossible at first glance, with repetition we will begin to see patterns arise in the chaos, and we will find that things aren't so difficult after all if we take the time to analyze the problem at hand. So what is left to do in terms of an attitude to adopt is to adapt. All the successful traders and great achievers out there have done it at some point. Successful trading can only happen when you have sorted out the resistances that are preventing you from making the kind of money you aspire to on a consistent basis. Paradoxically, when you have sorted out these resistances you become someone else. If you came in solely for the money at first, you might find out that this isn't the unique motivator anymore; the game and the challenges it represents is what keeps you in. If you reach this point – and I am hopeful that you do – money will automatically manifest itself to you. Dropping our obsession for money somehow gives us more of it. I will address this point later on as well.

I don't have any credentials in psychology; however, just like many others before me I learned most of what I discuss in this book through repeated mistakes, painful losses, and failures. We evolve in a world where we are led to believe that the mental environment is a perplexing and peculiar place that can only be understood by experts (psychologists). As a result, most people end up living their lives in a way that lacks any conspicuous understanding as to the relationship between their mind and the outer physical world. This lack of understanding ultimately shapes the way they experience their lives. We don't need a PhD to understand the nature of our own mind. We just have to make ourselves available to learning more about the nature of our dissatisfactions -- and few people are truly willing to do that. They would rather attempt to change the outer physical world in order to fit what is inside of them and quite often this will turn out to be a futile endeavor, especially in the markets. It was only when I started to deeply question myself that I began to see dramatic shifts in the way I perceived the market, but also in the way I perceived myself and life in general. This is so because questions asked the right way usually point to their own answers. If one does not ask the right

questions, he cannot expect to get the right answers. Markets don't hurt us. It is our own set of beliefs that conditions us to suffer whenever the markets don't oblige us by fulfilling our needs. It is our beliefs that cause us to overthink when a trade has to be entered or exited. They also cause us to doubt ourselves and our ability to trade successfully. Eager to deepen my understanding of myself and how I essentially created my own pain and suffering in trading (but also in my personal life), I began spending a lot of time meditating. I also attended numerous meditation retreats where I had some humble encounters with my own mind. A spiritual practice like meditation can teach us a lot of things about the nature of the being, and the transiency and ever-changing nature of everything that exists – markets included. It can help us understand and accept change as an intrinsic part of our lives; and that is precisely what it did for me. With a better understanding of the self, came a better understanding of the markets. It all began to make sense. I was desperately trying to force the markets to conform to whatever beliefs I had, in terms of what I thought I deserved, what I believed I was entitled to, whatever special trading talent I thought I had, and so on. Once I targeted those problem thoughts and beliefs – and once I started working on them – trading took a whole new direction for me. My results finally came in line with my new expectations.

Developing equanimity was a long and tedious process for me; however, once I acquired it the repercussions went far beyond the boundaries of the markets. My whole life was changed. It's as if my vision of life went from a boring 8 bit video game to a sophisticated new generation 3D game; and there is a reason for that. Markets are not different from life itself. Comparing the two, we can see that:

-- Markets and life are both uncertain. We cannot know for sure what will happen on a period to period basis.

-- They both provide us with opportunities. We can decide to be bold and bet the farm on every occasion, or we can be methodical and make calculated moves. Either way, if you don't bet – if you don't take risks – you can't play.

-- If we are unprepared we can feel pain and suffering as a result of not being able to flow with them or accept their reality.

-- At every corner, they can teach us a lesson if we are open to it.

The comparisons can go on and on; therefore, it is not difficult to see how the skills, habits, or even delusions you acquire in one can and will often impact how you behave in the other. That is why developing equanimity becomes primordial because if you can effectively transform the way you behave when faced with difficult situations in the markets, I believe you can definitely affect the way you behave when you're equally faced with difficult life conditions or circumstances.

Equanimity is not a word that is commonly used. Its signification for me is beyond mental calmness or composure. It is the radical non-interference with the natural flow of sensory experiences. For example, if you are feeling emotional about something you see or hear in the markets, you are not trying to hold onto those emotions nor are you trying to push them down. Instead, you take an observer stance and you watch them flow; and because of their transient and impermanent nature you watch them slowly fade away. This allows you to get a sense of detachment or as the French say "sang froid", so that you have no problem taking the right action in regards to circumstances and conditions that are happening. It is the end of the ego. Lots of different people view the end of the ego in different ways. Others don't find any sense in such a statement. The way I see it is that the end of the ego is just equanimity. It is the end of craving and the end of attachment. As the Buddhists say, "Clinging on to things, ideas, opinions, objects, people, even life itself is what creates suffering". In trading, clinging on to an idea of what the markets should make available for us, clinging to a loss, or even craving for a certain amount of monetary gain is what creates suffering. This "clinging" or "attachment" springs up when we are ignorant of the fact that everything is transient, temporary, impermanent, changing. Therefore, freedom comes to us when we have snuffed out craving and attachment by eliminating ignorance.

We all have experienced at some point a gap between what we realize as being possible from our trading and what our current bottom line is. This happens because we can't seem to restrict ourselves from doing things that aren't in our best interest. Most of us are stuck at this stage and unable to figure out how to change things. Trading with equanimity is achievable by

anyone, but it requires a genuine and sincere willingness to learn how to do it. This encompasses paying attention to ourselves and beholding the environment we evolve in for what it truly is. Throughout the book, I will refer to my experience as a meditator in order to shed light on the various aspects of unsuccessful trading and what I think is its antidote. My intention is not to fill this book with mumbo jumbo new age religious ideologies -- though, good trading does require that you reconnect with your inner-self, and this is often attained through a spiritual practice of some sort. Spirituality needs not to have religious connotations. "Spirit" comes from the Latin word "to breathe", and it typically involves a search for meaning in life. When you breathe mindfully and observe your body for what it truly is and when you grasp the intricacy, beauty and subtlety of life, then that soaring feeling, that sense of elation and humility combined, is surely spiritual. I only aspire to help you realize your potential, not only as a trader but also as an individual. I will give you a very detailed and comprehensive blue-print on how to develop equanimity. I will show you how to bring more consistency into your trading and into your life. While I cannot promise you that you will make money, I guarantee you that you will become a better trader and overall a better "you" if you understand and follow the principles I discuss about.

Unconscious incompetence

"The greatest enemy of knowledge is not ignorance; it is the illusion of knowledge." Daniel J. Boorstin

Anyone who starts down the road to becoming a trader wants to reach consistency in their results as fast as possible but few eventually make it there. In fact, several studies suggest that most retail traders are worse off financially after the first couple of years in the financial markets than before they started trading – i.e., if they make it through those early years without going broke in the first place. This is a staggering truth and one that is echoed around most of the financial markets of the world. Naturally, this begs the question: why do so many people fail in the markets?

Retail traders are by the very definition self-employed. To succeed as a self-employed trader you need two very distinct skill-sets: first as a self-employed business owner, and second as a professional trader. Both skills work in unison, one cannot be without the other. Therefore, there is no question that for some, trading might not be a good fit at all because it requires a lot of work. Trading is a real business, though few actually treat it as such. As a matter of fact, any activity engaged on a regular basis with the intent of making money is a business. Approaching our trading operations from a business standpoint means that:

1. We have to develop a concept or an idea which aims to satisfy a market inefficiency, diversify risk and make money work for us.
2. We have to test that idea and see how it performs over time.
3. We have to hold an inventory. This is our current positions. We have to buy them for less than what we intend to sell them for.
4. We have to manage our employees. Our current positions can also be seen as our employees. We have to keep the ones that are working well, and fire the ones that aren't.
5. We have to take insurance. Our business must have insurance to manage risk because losses will occur. It is not a matter of "if"; it is a matter of "when". Therefore, stop-losses, hedges and position sizing are our insurance against big losses in our trading business.
6. We have to use a strategic deployment of capital. We attempt to buy things at a lower price than what we intend to sell them at. We also try to diversify what we buy so that our risks are uncorrelated and dispersed.
7. We have to conduct our business where there are ample buyers and sellers so that we don't get stuck with positions (inventories) that no one wants.
8. We have to actively preserve our capital. If we lose that, we are out of business. Therefore, we have to make sure that we do not go "all in" on any perceived opportunity.

9. We have to work towards the expansion of our business. This can only happen after it becomes profitable. For a trading business, this translates into trading more vehicles, perhaps trying a new strategy, and/ or adding more trading capital to our accounts so that we can increase the size of our trades.

All these steps have to be figured out on paper prior to starting to trade through a process called trading plan development. Engaging with the markets with an abstract idea or vague concept of what we should be doing doesn't work; therefore, it is essential that we develop a trading plan. We all want security, a reliable source of income and wealth generation, but how can one expect consistent results from any business that never got properly organized in the first place? This is the primary reason why venture capitalists will not even listen to the best of business ideas if the person presenting them doesn't have a well-defined business plan. The underlying assumption is that if you can't build it on paper, how do you expect to build it in the real world? For this same reason the trading plan is an absolute must for any aspiring trader. Besides serving you as a support to describe the inner workings of your business, the trading plan is another way of acknowledging the fact that you can't predict the future. Correspondingly, it is there to help you take a structured approach to the markets' uncertainties. Your trading process is not an abstract idea anymore – it becomes well structured. Your rules and processes are clear on paper, all you have to do is execute.

Setting up a business is one thing, and it can be considered as the easy part. But being mentally prepared to make the business consistently profitable is another thing. While this might be a shocker for a lot of people it is without a doubt the most challenging aspect of this whole endeavor. For example, a novice trader may have devised a trading plan and figured out her trading methodology; however, there might still be a negative correlation between what she ends up with and what she could have had. In other words, she isn't using her methodology to its full potential. Just as buying a car won't give us the ability to actually drive it, novice traders erroneously believe that with the buying or the creation of their own methodology comes the intrinsic skills to actually trade it flawlessly. They do not think that just like with anything they need a particular set of skills in order to exploit their methodology to its full potential. We cannot take for granted that because we recognize an opportunity to enrich ourselves in some way or another that we will have the

skills to be able to take advantage of that opportunity appropriately. But that is exactly what most of us assume at first when we start out. We want to be able to produce an income or a return from our trading that we can rely on, but this is not such an easy task as one might be inclined to think. Consistent returns in trading are a result of the consistency in our behavior.

The general public is attracted to the markets because it seems like an easy way to make a lot of money. This leads us to the following paradox: Suppose a layperson decides to become a surgeon. He goes into a bookstore, heads straight to the medical book section, and finds a book entitled “How to perform heart surgery.” After spending a couple of days studying it do you think he would be ready to perform heart surgery? The bare thought of him doing this is preposterous, right? Now, suppose that same person decides to go in the finance book section of the store instead, and buys a book called “How to beat the market in 7 days.” After spending a week-end reading it suppose he opens up a brokerage account the following week, and starts trading with the belief that he can beat the markets on a consistent basis. Do you still think this is utterly ridiculous? It takes years to build a successful trading career; still most people won’t see anything odd about that second option. Trading is probably the world’s only profession where a complete amateur - a person who knows absolutely nothing - has a 50 percent chance of being right in the beginning. I haven’t seen this phenomenon in any other profession. In trading there are only two things we can do, either we buy or we sell. Naturally, some people are just going to get it right by pure luck at least a few times in the beginning. This deceives them into believing that they possess the appropriate skills to trade efficiently. It makes them believe that they have some kind of special talent to predict market directions, or that trading is a lot easier than what it seems. However, the reality is that winning in the markets requires absolutely no skills at all. Additionally, we don’t have to have a good reason – or any reason at all – to put our cursor on the buy or sell button, but, doing so, we could immediately find ourselves in a huge winning trade. Therefore, the natural tendency is to think that if it is this easy to win, it can’t be that much harder to make a steady income. The truth is that winning and being a consistent winner are two completely different things, and this can be a really hard mental barrier to break for most.

What novice traders don’t understand is that good trading requires a

particular set of mental skills that need to be developed. Since those skills are counter-intuitive in nature and tend to go against normal human tendencies, they will have to be developed and built over years of practice and engagement in the markets. What may be expected from such refinement of mental skills if practiced, developed, often repeated, and well-perfected is mastery over the self and its various conditions – i.e., anxiety, fear, greed, craving, and so on. You are not overcome by these states but you subdue them as they arise. Therefore, when we first start out we should keep in mind the possibilities online trading has to offer, not only in terms of monetary gains but also in terms of personal development. New traders focus too much on the potential monetary rewards and this is what messes up their results because their expectations are not in line with the way markets are. We shouldn't expect to instantly make a comfortable living at home, in our pajamas. We shouldn't expect to be millionaires by the end of the year. While these scenarios are definitely a possibility, they are highly unlikely to happen right from the get-go. Yet, we can improve our chances of those happening at some later point throughout our trading career by taking the time to prepare now. 'Skills over money' should be the beginner's motto. If you keep an open mind filled with childlike curiosity, and if you cultivate an eagerness to learn and build your skills instead of putting your attention right away on the monetary rewards, you will be far ahead of the crowd.

People often fail to acknowledge or realize the financial, emotional and time commitments that are required to build a successful trading career. As we start out in this journey, our goal should be focused on adopting a business approach so that we can bring a little more formality and structure to our entire trading operation. We should also acknowledge our current lack of skills to trade the markets effectively. By acknowledging this, we open ourselves to accept new pertinent information to help us grow. Lastly, when we first start we should focus on building mental skills conducive to good trading instead of thinking about the money. When our roles and goals, as traders and business owners, are clearly defined we can focus on the pure execution of our trading model. However, if we don't clearly define our roles and goals, then we will have a tendency to act in a way that lacks any kind of structure. This lack of structure is the reason why most retail traders set themselves up for failure right from the start.

Conscious incompetence

“Trading is the hardest easy money you’ll ever make” Common Wall Street adage

When one starts to develop awareness about his incompetence (usually through significant losses) and realizes that there is more work involved in trading than what he originally envisioned, he usually starts to work on finding some kind of Holy Grail trading system. This stage can linger for years, but sooner or later there comes a point where the individual realizes (if he hasn’t given up yet) that there isn’t such a thing as an infallible and ever-winning trading system. The true key to success is a profound understanding of market structure and how his psychology relates to this whole process. When this shift of perception – or paradigm – happens, it creates an avalanche of conflicting feelings for the trader. He knows the potential is there to enrich himself beyond his wildest dreams; the markets provide us that opportunity at every moment. The trader can clearly see his success right before his eyes; however, something within him seems to disrupt his ability to grab it.

The market represents a challenge and for many traders the challenge or battle is also occurring within as thoughts and beliefs combine with unacknowledged and unmanaged emotions that drive behavior. This results in traders not being able to act in their own best interest. As “conscious incompetents”, they realize that they are not as “expert” as perhaps they thought they were when they first started out. The transition to this state from being unconsciously incompetent can be shocking, especially if it happens abruptly through severe and significant losses. Such sudden realization – for example when you meet others who are clearly more competent than you, or when someone holds up a metaphorical mirror to your real ability – can be painful. This is a very difficult stage to be in because it is where the most judgments and doubts against the self are formed. This is also where most people give up. They assume that trading simply requires a special talent that they were unfortunately not born with. However, it is the stage where real

learning and change begin for those who are persistent.

There is nothing esoteric or even illusory about trading success. Of course, those who have staying power are the ones who get to experience it, but there is nothing extraordinary about this. It is achievable by anyone. To my knowledge, no one is born with any special trading talent or an uncanny ability to predict the markets. There might be a predisposition for better self-control and better adaptability, but that is it. This is nothing that us others can't improve upon. When we think of it, good trading is a function of three things:

-- How much engagement you have in the markets

-- How adaptable you are

-- How much self- control you display

Those three points work together and they are all sine qua non. You have to be able to be (and stay) engaged in the markets so that you can acquire the appropriate knowledge and skills to help you navigate them. Also, you have to be highly adaptable. This means that you have to accept changes in the markets, learn from the mistakes that you will undoubtedly make, and embrace the failures that you will certainly experience. You have to exert control over your impulses so that you don't get into low probability trades; bet the farm on any single trade; or let small losers grow into something so massive that they endanger your whole account. The degree to which you fail to develop or work on these three points is the degree to which your progress will stagnate. You will experience self-sabotage which is almost always the consequence of your beliefs whether you are aware of it or not.

I know there are some complex books out there that have been written on the subject of trading psychology – in multiple volumes sometimes – however it doesn't have to be that complicated. It is not rocket science that is required here. You don't even have to go deep into your past and decipher every single belief you acquired since your childhood causing you to shoot yourself in the foot every time you trade. You could, but you don't have to. All that is required is a clear understanding of what you need to change, how you need to proceed to facilitate those changes, and then fabricate the proper plan to

help you get there. Subsequently, you have to apply the plan diligently until trading consistency becomes an intricate part of who you are. This is the hardest part and one which very few are able to do. It is not easy to face our demons and put a stop to some deeply ingrained behaviors. However, I wrote this book with the assumption that you desire your trading success strong enough that you are willing to “erase” all conflicting beliefs that stand between you and your goal.

When you break it down to the most fundamental level, changing your trading results, your behavior, your life is the only logical result of desire. If you truly desire something, you’ll find ways to make and facilitate the change, whatever that might be. One thing I want to point out though is that desire is not to be confused with craving. I strongly believe there is a clear distinction between the two. Desire is an expression of longing. The pursuit of that which we desire gives meaning to our lives. Craving is an expression of neediness. When we are on autopilot and thus incognizant, we tend to crave things. When we remain centered in our awareness and consciousness, we can desire things and align our actions with our intentions so that both are in harmony. Awareness allows us to identify what is truly important to us. Desire leads us forward. Craving, on the other hand, is the attachment to desire and it is a poison that will consume you. It will cause you to pin your happiness to the very thing you desire such that, you will melt into grief if you don’t get what you want. Furthermore, it will impede on your ability to take rational decisions. For example, in trading, it will cause you to take decisions based on your beliefs about being wrong, money, your self-worth, and myriads of other beliefs. To adapt to the constant changes that is intrinsic to the markets implies that we are changing ourselves as we make ourselves available to learn more about it. Therefore, to eliminate craving you have to eliminate ignorance. If you want to acquire consistent results this should be an obvious step to take. Keep the flame of curiosity and wonderment alive. That is the well from which we traders draw our nourishment and energy.

It doesn’t matter if you own a clothing store, a fast-food outlet or even an online marketing business, if you want consistent results you have to be consistent in what you do. This is even more essential in a trading business because of the obvious need for quick actions in the midst of real-time moving markets and the emotional ramifications that ensues. With no

structure to the way you approach the markets you will have a tendency to act impulsively. If you can make it a priority to stay methodical and systematic you won't be subject to such wild emotional swings that will detract your trading results.

Did you like that Excerpt?

You can read the rest by purchasing the book on [amazon.com](https://www.amazon.com)

What people are saying...

"A great introduction to the awareness that is needed to become a profitable trader."

-- **Dr. Van K. Tharp, Author of the classic Trade your way to financial freedom, Founder and President of the Van Tharp Institute**

--

"The lessons and perspectives shared -- in Paradigm Shift -- are which many could find of value."

-- **Charles E. Kirk, The Kirk report**

"Trading success starts when a person is willing to look inward. In "Paradigm shift", Yvan shares his journey of building self-awareness and combines it with practiced trading insights. This book offers the path to "trading like a scientist" while maintaining the calm and focus of the "Zen Master."

-- Steve "SLIM" Miller, Analyst, Hedge Fund Manager, Speaker, Host of his own show on the TastyTrade Network

"The most important mental skills associated with successful trading can be grouped in two arenas - intuiting markets and differentiating risks. Both of these are ironically a qualitative subjective task and therefore rely heavily on self-awareness. It follows then that anything that increases one's self-awareness can also make one a better trader. Yvan's book is a welcome contribution to this growing realization that quantitative understandings alone are insufficient for market success."

-- Denise Shull, Neuroeconomist, Author, Founder and President of The Rethink Group

"I have to admit this book blew me away for the remarkable manner in which it so completely, succinctly, and efficiently covers the topic of trading psychology. Yvan Byeajee takes a complex subject and distills it down to its essence in a way that makes it highly accessible to his readers, and then for good measure he lays out a concrete and practical action-plan that readers can follow to address and correct their own psychological deficiencies. This is a must-read for all traders and investors."

-- Gil Morales, Best-Selling Author, co-Managing Director and Chief Portfolio Manager of MoKa Investors, co-author and publisher of Virtueofselfishinvesting.com and The Gilmo Report

"This book has the necessary ingredients for what makes a successful trader in trading or in life. The last chapter of our bestselling book "How We Made 18,000% in the Stock Market" is entitled "Trading is Life; Life is Trading" which was a favorite as it was our blueprint at that point for how to live life. "Paradigm Shift" expands that last chapter of ours into a step-by-step guide for achieving self-mastery. I couldn't recommend a better book on the parallels between successful trading and knowing oneself."

-- Dr. Chris Kacher, Best-Selling Author, co-Managing Director and Chief Portfolio Manager of MoKa Investors, co-author and publisher of Virtueofselfishinvesting.com

ABOUT THE AUTHOR



I'm 33 years old at the time of this writing, and I have been a full-time trader since 2007. I am also a writer, a mentor, and a coach (for both institutional and retail Traders). I love travelling and I spend my time doing so. I am an avid meditator and I never start, nor do I end my day without.

You can check out my author page at: www.amazon.com/author/yvanbyeajee

You can follow me on twitter @yvanbyeajee; Facebook: Yvan Byeajee; or you can subscribe to my blog at www.tradingcomposure.com

CAN I ASK A FAVOUR?

If you enjoyed this book, found it useful or otherwise then I'd really appreciate it if you would post a short review on Amazon. I do read all the reviews personally so that I can continually write what people are wanting.

If you'd like to leave a review then please visit the link below:

http://www.amazon.com/Short-Trading-Psychology-Truths-Easyread-ebook/dp/B014DRWY9A/ref=sr_1_3?ie=UTF8&qid=1440749973&sr=8-3&keywords=yvan+byeajee

Thanks for your support!

Table of Contents

[Introduction](#)

[Table of contents](#)

[Trading psychology](#)

[200 short trading psychology truths](#)

[Excerpt from Paradigm Shift](#)

[About The Author](#)