

Forex Cadet Pilot Training

Pilots are not only skilful in their ability to competently take off, fly and land massive pieces of machinery, but they also have a considerable amount of psychological pressure with the need for a high level of emotional control. To take hundreds of people's lives into their hands, both within the plane and those below, takes guts and confidence within their own ability and the plane itself.

Emotional control makes a massive contribution to the success of a trader. The secret to trading is not in a particular secret plan or set of strategies that you need to uncover, instead it is the ability to always remain emotionally in control; detaching from any external influences that will be tempting you to take actions which are outside of your Trading Plan rules.

A pilot will be faced with many different external conditions; high winds, rain, fog, clouds, birds and even other aircrafts. These sometimes arrive with no warning. Traders experience the very same onset of conditions, and the point I am trying to make is; it is their reaction to these conditions that determines their level of continued success.

The financial markets are based upon emotion and are the pure reflection of each individual market participant's perception, and therefore reaction to what they see and hear. It also goes much deeper than their perception to events. A traders success can also be affected by their 'money habits'; these habits are acquired through the conditioning of their childhood.

If the child is brought up in an environment where the household spends what they earn, especially on unnecessary items (they acquired little or no assets); or spends more than they earn (large household debt), then this person will most certainly have the same money handling skills into their adult life. Unless they make a conscious decision to gain better money skills, because regardless of how much they make, it will dissipate the same way.

You know, when I first heard the concept of 'Trading Psychology' and how significant it was to being successful in the markets, I first thought to myself ... "well I have good emotional control – I'm very level headed and don't get flustered too easily". It was until much further down the track did I realise that this wasn't enough – it went so much deeper than that.

The Forex Flight Zone

My money habits, my money handling skills were really bad. Anytime money came into my hands I had to spend it. With the financial markets being highly liquid I could access my cash almost immediately, and spend I did.

It is really hard to see what our habits are until we make the conscious decision to 'see' them. Otherwise we are simply operating from a preconditioned state – our habitual state. And all this seems very 'normal' to us, and often we think it is how everyone else functions too.

If you want to know how you 'think around money' look at what your current results in your life are. What sort of annual income are you on? Do you have many or any Assets? What is your Net Worth? - add up your Assets and then deduct all of your Liabilities to find out your Net Worth. Are you forever chasing your tail with bills? Are you Asset rich but Cash poor?

The answers and reflection upon these questions will allow you valuable insight into what your thinking has been up, until this point, around money – do you respect money?

The good thing is that you can change it.

Some people have had the right upbringing in so far that they received the right money handling skills and emotional control that allows money to flow into their lives and is retained within the right forms. Their money is spent mostly on appreciable assets than depreciable assets.

If this is their 'normal', these people do find it hard to 'see' how emotional control could be one of the most important things to obtain and therefore succeed in trading. They already have it. It is only when we need to change our habits, do we realise how hard they can be to change.

Emotional control spans across the traders' ability to research the necessary skills and strategies required to create and retain wealth – not just being able to enter and exit the market in a timely manner. Profits need to be handled and reinvested correctly.

Our emotional control also stems from our childhood conditioning. Most of our reactions to external events were copied and learned off of our parents; the way we react to conflict, to busy traffic jams, to unforeseen events, to losing money, to making large sums of money.

The Forex Flight Zone

Do you get anxious when faced with adversity, or over elated when faced with euphoric situations?

Trading the financial markets entails emotional ups and downs like a flight on a stunt plane– looped de loops, quick turns, high and low altitudes, followed by steep dives. Watching profits come and then go can make any person feel sick to their stomach, and if you haven't been following, or have confidence within, your trading plan, then these feelings will be intensified and can swing from one emotion to another very quickly and without warning.

Our emotions stem from our perception of external events. Most people live at the mercy of their emotions – when they see or hear something they automatically react from a habitual state rather than with actions that are the most advantageous for themselves and any other party concerned. Their decisions are based emotionally rather than logically or upon a system. Systems, when followed religiously, can give fairly predictable results. But if the trader deviates from the systems variables the prediction of the outcomes becomes obsolete.

If a person is unaware that they are reacting emotionally, rather than an approach that is non-emotional and mechanical with every part of their system followed step-by-step, they will be wondering why they are not finding consistent success.

The emotions that drive the market are fear, greed, ego and hope. Traders will be experiencing one or more of these simultaneously or at rapidly changing timeframes. It is ok to feel these emotions, what is not ok is reacting to them in ways that are outside of your trading plan guidelines. If your trading plan tells you to close out your entire position, even though you have just made a massive profit your ego is most likely enticing you to hang in there longer to make more profits. Not only that, but this ego is also fantasising about the new convertible it can see itself in. “Just a little longer in this trade and I can afford a deposit on that new luxury car”.

The weakness displayed in the market, which was why your system was giving sell signals, suddenly becomes very apparent as the market plummets and goes against you, eating up all profits. Feelings of anxiety and fear replace those happy feelings of elation. If you continue to hang on to the position hoping it will go back up, you have moved through another of the emotional states again.

The Forex Flight Zone

It is amazing how well our mind and emotions can trick us into thinking that 'this time it is different'. And often becomes much worse when the outcome is fruitful by chance. This causes the trader to experience delusions of their ability, thinking that they either have a 'natural' ability or 'intuition' around the market – but sooner or later will become a slap in the face.

I believe that intuition for the markets movement is created when the trader has taken the time to research, study and practice their system over various market conditions so that it has become internalised.

Regardless of our background conditioning anyone can become successful, you just need to have the passion, desire and drive to succeed. If you have a good understanding and vision of what the Forex market can offer, then you will do what it takes – the lifestyle it can bring is certainly worth it.

Don't try to take short cuts in your learning either – as you will need to eventually go back over what you missed and will invariably lengthen the total learning process. This is enhanced by our psychological makeup whether we naturally try to 'skip' over new material or sometimes we assume that we 'know it already'. However, I believe we don't really know something at a deep level until we are successful at it

There are a number of books written on the psychology of trading, I would suggest you source and read these books. One brilliant one is called 'The Disciplined Trader', by Mark Douglas.

Q&A - Questions

QUESTION & ANSWER SECTION

		Answers
Question 1:	Would you agree that trading can be an emotional roller coaster for people?	
Question 2:	What are the four emotions regularly experienced by traders?	
Question 3:	A trading plan does not need to be internalised for the trader to be successful. True or False?	
Question 4:	Bad money habits affect the success of a trader. True or False?	
Question 5:	People mostly operate from a habitual state. True or False?	
Question 6:	A trader needs to execute all components of their Trading Plan in a M_____ and Non-E_____ manner.	
Question 7:	Intuition of the markets is developed through detailed research, study and testing over various market conditions. True or False?	
Question 8:	Our minds can often t_____ us into thinking going against our system this time will be ok.	
Question 9:	The best way to 'see' how we think about and handle money is to look at our current results. True or False?	
Question 10:	If you think the market is going to continue to move upward and your profits will increase can you ignore your Sell signals?	

Q&A – Answers

QUESTION & ANSWER SECTION

		Answers
Question 1:	The four elements that make up a Bar is the _____, _____, _____, and the _____.	Open, High Low, Close
Question 2:	If the open and the close are close together there is agreement of prices between the buyers and sellers. True or False?	True
Question 3:	If the range of the bar is long and the open is low on the bar and the close is high on the bar, then the bulls are d_____.	Dominant
Question 4:	Reversal patterns tell the trader that the market may soon reverse. True or false?	True
Question 5:	Candlesticks were originally invented in which country?	
Question 6:	The emphasis of the candlestick is between which two prices?	Open Close
Question 7:	The 'ends' that poke out of the boxed area are called?	The Wick
Question 8:	A black candle is 'bullish'. True or False?	False
Question 9:	A Swing chart looks at price only, no time. True or False?	True
Question 10:	Higher troughs in a swing chart show the market is in an uptrend or downtrend?	Uptrend