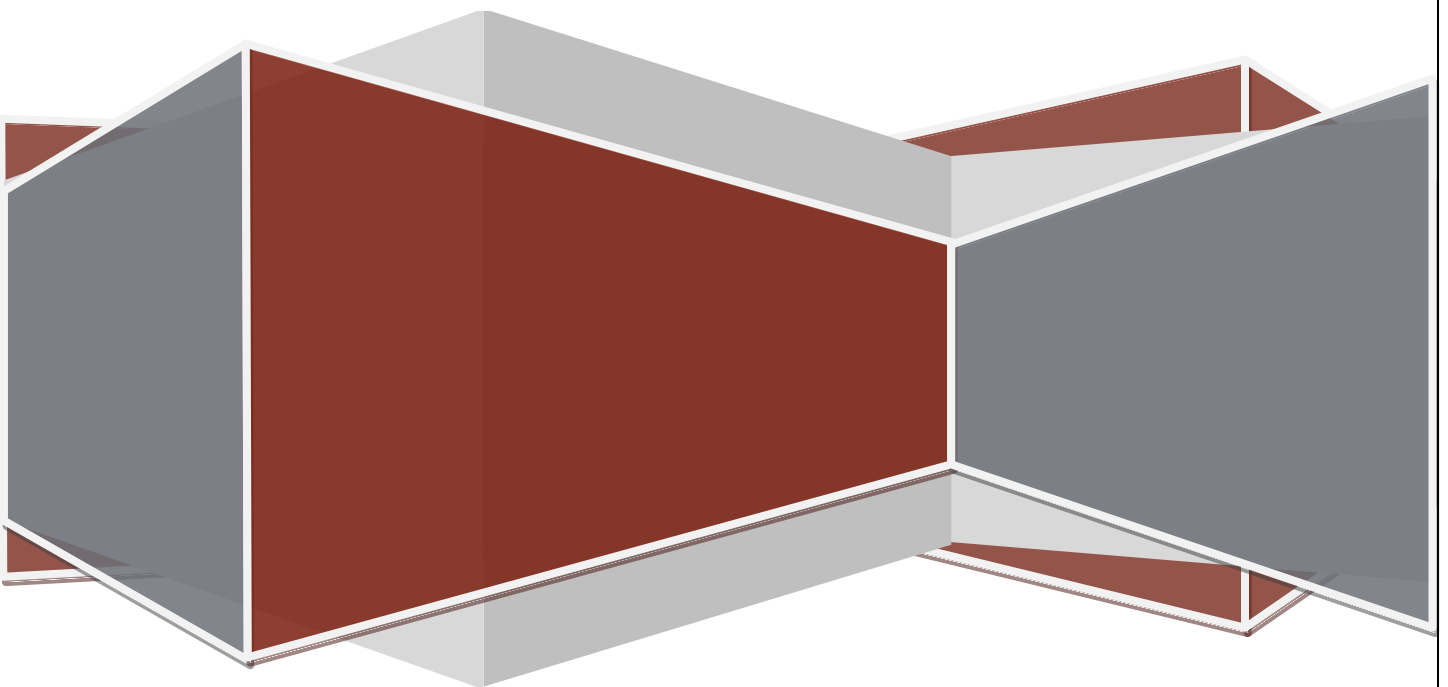


PIVOTPOINT

— TRADING —
Success Through Education

Axioms of Stocks & Options (A3)
Notebook 1: Trader Conditioning
Part 1



Trader Conditioning Part I

Trading To Win:

- a) Education (Technical Analysis A1 & A2)
- b) Execution of Analysis (Strategies A1)
- c) Psychology of a Trader (A3)



Mindset/Philosophy of a Trader:

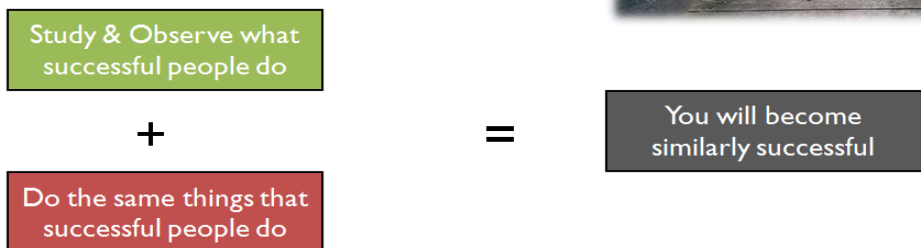
- Winning Philosophy
- Change of Perspective
- Self Belief

Self Belief:

- You must be diligent
- Stay committed
- You must take action



Formula for Success:



Trader Psychology Principles:

- Make sure you copy the right principles/ methods!

In Practice:

- Copy the best methods and strategies in the world of trading
- Repeat such methods & strategies with unequivocal discipline!

“The successful person realises success is only a handful of actions which must be repeated thousands of times - with pig headed discipline” Chet Holmes

If Success Is a Result...

- Then there must be an action?

Analogy:

- You Reap what you Sow

Result:

- Success is the result of planting the right seeds...
- Or, nurturing ones trading skill set through its infancy into practice



Characteristics of Success:

- Study successful people

It Starts in the Mind:

- Focus on personal responsibility
- Work harder & smarter
- Succeed despite the challenges
- Lose the “victim” mentality



Self Discipline:

- “Only the fools hate self discipline” King Solomon

“If you do for a little while what most people won’t, you can do for a lifetime what most people can’t”

Handling Failure:

How do you Interpret Failure?

- People generally see failure as an identity
- Successful people see failure as new information



Successful Traders:

- Learn to accept failure
- Keep failure in perspective
- Inevitably you will be wrong



Combating Failures:

- Self discipline can help refine your trading skills and limit mistakes

Trader Conditioning:

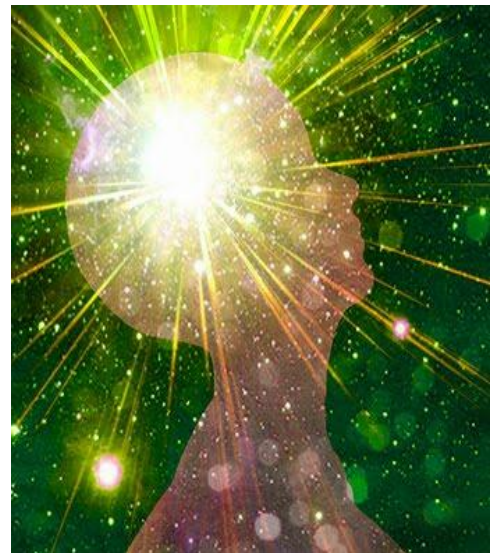
- Learning system which will translate head knowledge into a operational skill set

Goal:

- Help automate successful trading decisions
- Subconsciously guide you in trading the market

Trader Conditioning

- The concept of programming our minds to
- react to certain trading situations
- Through repetition we create new habits
- The “habit” is the conditioning to drive our trading decisions
- We are controlled by our subconscious mind
- Our subconscious creates patterns of what it *thinks* we want, and repeats them to make the load on our conscious mind easier
- Our subconscious creates a blue print and without conscious intervention we follow it 100%



Everyone is Conditioned:

- Do you drink coffee in the AM ?
- Do you drive a certain way to work?
- Do you sleep on a certain side of the bed?
- Do you eat at a certain restaurant most of the time?
- Have you ever answered a question in a conversational greeting you were not asked?



Why Use Trader Conditioning?

- Helps our subconscious mind react to certain trading situations
- Trade historically in a controlled environment, reprogramming our blue print for the correct trading response we desire
- Most practical way to train our reactions to help manage the stress of the market without risking any real capital

The Trading Environment is Inherently...

1. High Stress
 2. High Adrenaline
- These emotions will always remain



Other Examples of High Stress/High Adrenaline Professions:

- Surgeon
- Pilots
- Soldiers

We should condition ourselves through virtual simulation, as do the above professions

Discipline Vs Conditioning:

Discipline

- Requires focus and conscious effort

- Difficult to maintain
- Easy to compromise

Conditioning:

- Programs a habit
- Makes the response “second nature”



Trader Conditioning Goal:

- To use the Trader Conditioning System to reprogram our subconscious mind
- Help analyse our trades better
- Intuitively react to market signals
- Guide us to the best trades



Trader Conditioning Tools:

- a) Historical Reply Option
- b) Virtual Trading
- c) Broker

1. Historical Reply:

- Most professional charting softwares have this tool
- If you haven't already chosen a charting platform, now is the time
- The historical reply tool itself will be worth the cost of subscription

2. Virtual Trading:

- Provided by your chosen broker
- a) OptionsXPress
 - b) Options House
 - c) Another of your choice....



Purpose:

- Allows you to trade real time
- Learn to fill out order forms correctly

- Use virtual money as a learning tool

3. Broker:

- a) OptionsXpress
- b) Options House
- c) Another of your choice....



Purpose:

- Connect you with the market
- Execute your real trades
- Make sure that you're happy with your broker; they are there to serve you!

Trader Conditioning Process:

1. Analysis Drills
2. Historical Trading
3. Virtual Trading
4. Real Trading



1. Analysis Drills:

- Focus on each individual aspect of your analysis skill set

Purpose:

- Ensure you are performing your analysis correctly
- Drills are designed for you to repeat a skill over and over again
- Transform knowledge into a skill set

Analysis Drills:

- Drill your analysis and patterns
- Process should be fast paced
- Get used to experiencing new data
- Begin formulating what each analysis concept feels like
- No trade documentation is required

Repetition is the mother of skill...
Practice makes permanent...

Anytime you are “learning” a new skill rather than trying to “trade” you need to “drill”

Bonus:

- Create some “flashcards”
- Will help you memorise parts of your analysis very quickly



Realistic Time:

- Around 2hrs to go through 4–6 months of historical trading data

When to Move On?

- Progress to step 2 when your competent with each of your analysis concepts

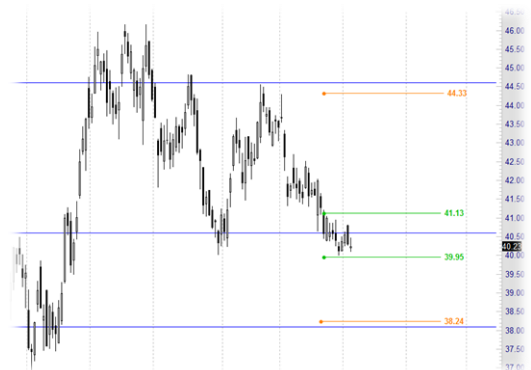
2. Historical Trading:

Purpose:

- Learn to recognise potential trade set ups as you progress through historical data
- Pick a direction (Entries & Exits)

Process:

- Plan your trade
- Walk through the set up
- Trade confirmation (Steps)
- Move forward each day to see what happened
- Learn to manage your trade
- Document your trade and results



Historical trading is the speed version of real trading. It happens quickly so you can immediately adjust & try again

Goal of Historical Trading:

- Pick a direction accurately
- Practice setting target & stop levels
- Practice waiting for price confirmation to confirm
- This level is the ultimate in trade setup simulation

This level is all about reading the market (not about strategy)

Historical Trading Journal Options:

- You need to Journal your trade experiences
- You want to create a relatively detailed Journal (*one is provided in the course notebook*)
- I suggest writing your Journal by hand. (*You will internalise the information much faster*)
- This step is the most tedious in the Conditioning System
- This is where most people give up
- This step ingrains the conditioning into your subconscious
- Make adjustments *now* before they become bad habits
- Slower process than just drilling your analysis
- It's pulling all of your analysis skills together

Stock:		Monday	Tuesday
Bullish	Entry		
	Target		
	Stop		
Risk Reward Ratio:			
↑ ↓	Date		
	Current Price		
Risk Reward Ratio:			
Bearish	Entry		
	Target		
	Stop		
Risk Reward Ratio:			
		Trade Confirmation Criteria	Trade Notes:
<input type="checkbox"/>	Support/Resistance		
<input type="checkbox"/>	Adv Line Drawing		
<input type="checkbox"/>	Moving Averages		
<input type="checkbox"/>	Chart Patterns		
<input type="checkbox"/>	Candlesticks		
<input type="checkbox"/>	Indicators		

Realistic Time:

- Around 3–4hrs to work through 2 months worth of historical trading data

When to Move On?

- Winning trade ratio of at least 65%
- Progress to step 3 when your consistently hitting this percentage

3. Virtual Trading:

Purpose:

- We will now use our trading platform to place virtual trades
- Work with applying your own trading strategies

Goal of Virtual Trading:

- Build our confidence as traders
- Experience real world trading without risking real capital
- Learn lessons you can only learn in real time
- Practice using your brokers platform & experiment with various strategies
- “Zero In” on your trading plan and perfect your personal system of trading



Remember:

- If you can learn to trade with virtual money, moving into real money is just a matter of controlling emotions

Continue:

- Journaling your trades by hand
- We are preparing for real capital trading
- Virtual Trading will feel super slow compared to the previous analysis steps

Virtual Trading Additional Notes:

- Patience and discipline is needed with this step
- This is where you are conditioning real time responses (which are much slower than you realised before)

Note:

- You must find success with Virtual Trading. If you cut it short you will have similar results with real money

Realistic Time:

- As much as needed

When to Move On?

- Winning trade ratio of at least 70%
- Progress to step 4 when your consistently hitting this percentage

Real Trading:

Goal of Real Trading:

- Trade profitably!
- 70 % + of the time for profit
- Limit your losses on your losing trades
- Grow your trading account!

How it Works:

- After finding consistent success in Virtual Trading, open 1 or 2 positions using real money
- If they do well, do some more
- Gradually step into larger positions when you feel comfortable

Real Trading Additional Information:

- Incorporate good money management safeguards
- If you have a series of losing trades, go back through the conditioning process and pinpoint your errors
- Real money trading requires constant *self check*



It's easier learning the hard lessons using fake money!

Real Trading:

- Once you begin trading real money, a shift will take place in your head
- Don't get emotionally attached to a particular trade
- Rely on your conditioning to help control your emotions

Remember:

- You want to cherry pick the best trade setups!
- You will learn that trade setups take time to form...

Self Assessment:

- Never stop Journaling
- One success is not enough, do it over and over again
- Trading buddies are great for the conditioning process
- Share your stories, struggles & successes with others

Growing Into Bigger Trades:

- Find a formula that works for you
- Do it over & over again
- Grow your positions
- Get the funds rolling in
- Add new strategies
- Branch out and diversify



Out of Control Emotions:

- Emotions are natural
- Your challenge is to control them through good conditioning and programmed responses

Remember:

- Emotions are a result, not a cause
- They come from your state of being
- Fear is the number one driver over emotion

Overcoming Fear:

- Fear is the emotion which triggers all of the others

You can overcome fear by:

- Trusting your skills (conditioning)
- Realising fear is not as bad as you thought
- Learn to embrace your fear
- Keep a healthy perspective of the real value of money



Over-Thinking:

- The act of over thinking is a person's natural response as an antidote to fear
- It will destroy you
- Accept that you won't be perfect
- Don't make your analysis more complicated than it may already seem (*which it shouldn't!*)