

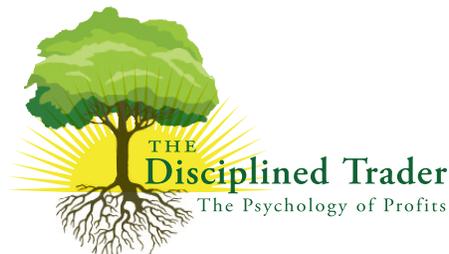


DETERMINING

Your 'Reality' As A Trader

*(Success as a trader IS
up to YOU!)*

Special Report #4



“If you tell people something enough times, they will begin to accept it as truth”.

This familiar quote sounds like something spoken at the board meeting of some Madison avenue marketing firm or maybe this saying hangs over the entrance to Rupert Murdoch's office. Yes, my friends, it strikes right at the heart of our greatest fear: the “truth” is subjective.

But that fear can be turned on its head. Indeed, if this is the “truth about the truth”, then why can't we use it in our favor? Everyday, I see ugly cars, tasteless fashion and unacceptable behavior. However, somebody else doesn't think so. Who's to say that I am correct and the others are misled or just plain stupid? Our realities might be the same on some basic level, like don't cross the street in heavy traffic or don't shoot your spouse if you get angry, but on many other more subtle issues, our perceptions of things can be quite different.

Most psychologists say “who we are” is a matter of nature and nurture; you are the sum of what your DNA dictates and your environmental exposure. Nice and neat. But we intuitively know better. The chaos of our constantly stimulating world forces us to become filters of information. Without the ability to form some sort of consistency in our world, we would be quickly buried in confusion.

“...our marvelous brains help us create a world that makes some sort of sense to us.”

So, our marvelous brains help us create a world that makes some sort of sense to us. Most of the basic education for survival have been passed from generation to generation and forms the basic part of our formative education. We first learn survival skills and then spend the rest of our waking lives learning what we can or what you prefer from the steady bombardment of information and experience.

“What you can or what you prefer”, this is an interesting statement because it supposes that we have a choice. *“Taking what we can”* suggests a reactive nature to our environmental education. In other words, if something happens in our lives, if there is a lesson to be learned, some of us will be able to learn while others may not.

Let's look at an example. Two traders experience a loss. One trader says, "*Damn, I should have gotten out earlier. I lost \$800*". The other trader says, "*missed that one, I did everything according to my plan but got stopped out so this trade is just one of the outliers. On to the next trade.*"

"Hearing your subconscious thought, the subconscious builds up an association of loss with emotional distress."

The first trader reacts to the trade with a reinforcing negative statement: "*I lost \$800*". This sort of statement demonstrates several things. First, the trader has done no analysis of what happened—even briefly. They learned nothing. Second and more importantly, the trader blames themselves and reinforces the fact that it is their failure and then they go on to make it emotionally burn by quantifying the loss. This kind of thinking tells your subconscious, which remembers everything, that you lost \$800 and it also adds an emotional component to the loss. Hearing your subconscious thought, the subconscious builds up an association of loss with emotional distress. It files the episode away and awaits more similar reinforcement. In the end, the trader didn't learn anything but the subconscious did: trading is painful.

The second trader, on the other hand, preferred to see the trade in a different light. To the second trader, the loss was just a low probability occurrence and was not a failure. It was accepted. There was no hint of emotion; it was just part of an expectation of a certain percentage of losing trades produced by the trading system and was of no particular significance. The subconscious was told, "*everything is normal, steady as she goes*".

Both traders experienced the same action but the subconscious experience was completely different. One trader preferred to see it in a purely *reactive* way (Damn, I lost and it cost me \$800) and the other *preferred* to see it as a non-event.

Given that they are both using similar systems, which trader do you think has the best chance of staying in the game and letting probability work for them? Which trader is going to like trading and which one will become tormented and probably move on to other things? Sounds like a no brainer, but most

traders default to follow the path of emotional reaction. At this point, you say to yourself, *"it's not a matter of preference but a matter of reality; nobody likes losing \$800"*.

"Your subconscious remembers when you didn't have a pot to go potty in..."

Let's pursue this argument a little deeper, shall we. If you prepare yourself for trading, you know that the money you trade should be money you don't need. Money is the price of admission to play and a way to keep score; nothing more. The problem with knowing this fact is that you intellectually understand it but your experiences tell you otherwise. Money has value and losing it is to be avoided. Your subconscious remembers when you didn't have a pot to go potty in and the pressures you felt when money was at the center of things. At the time, money was essential to your survival and you paid close attention to it. Your consciousness may have moved on but not the remarkable part of you that soaks in and remembers everything.

But what if your conscious mind could readily access your subconscious? Your conscious mind is capable of organization, analysis and filtering. Your subconscious is just a repository of information colored by associated emotions. If the organized part of you could team up with the chaotic subconscious, it could make the total you into something really exceptional. But alas, the struggle to unify these different levels of knowledge and experience is the stuff that makes life so interesting and challenging. In fact, happiness might be defined by the ability to get these tremendous resources into some form of harmony or alliance.

Because the subconscious has so much more informational and emotional content-albeit not organized—we need to develop the ability to tap into the subconscious and use it to reinforce our conscious actions. Our continual struggle is usually caused by the overwhelming power of our subconscious distorting our conscious perceptions and decision making processes. What we don't fully understand is that it can work both ways.

Our subconscious is not stupid. It's just absorbing what's continually bombarding it. No wonder it's a little crazy. What it-and all of us-need to understand is that our conscious abilities can help our poor subconscious to organize

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the tremendous heap of disorganized, fragmented information crammed into our billions of neurons, dendrites and who knows where (some theorize that our entire body on a cellular level acts as a repository of information). Sometimes, I envision this huge, out of control block party taking place where all thoughts, actions and deeds you ever had is taking place all at once. Suddenly you hear a plaintiff cry, *“how about sending some help down here. It’s a mess!”* All we need to do is open up a channel of communication between the two and tap into the tremendous potential of not only accessing information, but helping to organize it in a fashion that meets the needs of the conscious you.

For most of us who don’t understand or believe that we can actually establish a relationship between the levels of consciousness, we are missing perhaps the most important conscious realization that we can ever attain. With the knowledge of how to establish a line of communication between your conscious and subconscious selves, you can greatly expand your power to survive and create your *preferred* vision of the world you live in and not just live the capricious life of reaction to the events that cross your path.

This is not new knowledge. Several thousand years ago, one of our ancient ancestors wrote: *“The tongue has the power of life or death, and those who love it will eat its fruit.”* (Proverbs 18:21) Some might interpret this statement as meaning if you are a good salesperson who believes in their own story, you will prosper. Others might say that it can also mean that what you verbalize and believe in can manifest itself into reality.

Top performers have realized through experience that just having skills isn’t enough. They need to believe in those skills and the ability to perform at the highest levels—every time—or their economic future or status can become compromised. So, as the cost of doing business, top performers allocate time and resources to developing their ability to get their psyche and body in synch. But talk is cheap, as the saying goes, so how does one actually make the connection between conscious and subconscious?

“Does Tiger have a program to help link belief and action? You bet he does.”

If you believe in what you are saying, you can shape your reality. If you were to ask Tiger Woods if he thought he was the best golfer ever, he would probably give you a shy grin and deny it humbly. But look into his eyes when he is “in the hunt” and he truly expects to win—every time. Indeed, I’ll bet he is telling himself *“you are the best and deserve to win”*. Does Tiger have a program to help link belief and action? You bet he does.

In almost all programs for training the subconscious, there is the verbalizing of what the thoughts should be to help affirm the actions and outcomes desired. In the case of Tiger, his mentor probably has him visualize situations and verbalize, *“I can make the perfect shot-every time”*. Out on the range, he hits the perfect shots and tells his subconscious that *“I can do this every time”*.

All mental training of the subconscious strives to associate action, word and belief into a single bundle; the tongue tells the subconscious that the skill and belief will have an expected outcome. If repeated enough, the subconscious (or neural pathways) form and the expectation of a real outcome is formed. Does this sound too “spiritual”?

Let’s take the more common example of an airline pilot. Some of their most important training takes place in a simulator where the trainees have the opportunity to go through all of the normal and abnormal procedures. The students not only have the opportunity to imprint the actual manipulation of the controls but also the ability to make mistakes, analyze them and correct the problems without the emotional distraction of crashing and burning. Industry understands that creating a realistic scenario is most beneficial to learning, particularly where a mistake can be costly.

With successful repetition, learning and confidence takes place. The pilot-trainees begin to see the learning within context of the “real thing”. The subconscious begins to associate the complex tasks as normal and removes the emotional gravity of *“if I do it wrong, we all die”*. After a while, the pilot feels no fear and expects all flights to be a matter of routine.

“...repetition makes a difference in not only the skill component but also the emotional subconscious associations...”

So, repetition makes a difference in not only the skill component but also the emotional subconscious associations that normally exist based upon prior experience and expectation.

If you are a trader, paper trading is your simulator. Without the fear of losing money, you can build up the experience level to begin to expect certain results. Experience builds expectation and helps reduce the fear of the unknown outcome. As a trader, not having an expectation based on experience leaves you at the mercy of market chaos and the emotion of uncertainty rules the day. But with the experience of paper trading, you can build expectations and analyze losing trades without the emotional association of losing money. Of course, your ego will get a little bruised but for most traders the principle goal of trading is to make money. You'll be amazed how fast ego bruising goes away.

WHEN TO RE-FOCUS ON THE SUBCONSCIOUS CONDITIONING

My experience has been that when I am “in the groove”, trading becomes strictly mechanical. It feels great and I love my system. It's never about me. But eventually, when I hit a rough patch, like having a series of losing trades, I begin to think about money. When that happens, I realize that emotions are creeping in and it's time to step back and do some more paper trading and subconscious conditioning.

Combining education, experiential and psychological conditioning is the most comprehensive way to reach a goal. Everybody buys into the first two, but because of its subjectivity and ethereal nature, psychological conditioning is hard to accept as a tangible tool. As a result, it requires time, discipline and experience to provide the credibility to believe. You don't need to believe but you do need to have the open mind to let it be proven. Once you see the results—and if you are willing to do the work—you will learn once of the most important skills for success and confidence. Anything that important deserves the commitment.

When you have developed the experience of trading in a “state of grace” and when it seems to fade away you will have the opportunity to see first hand that

the link is essential and requires constant re-enforcement. The more you test the link, the more you and your subconscious will build the confidence that the link is real.

Awareness of the vital skill of linking conscious with subconscious will change your life. You will see that it's not just your trading that benefits but also your whole being; But it takes discipline and commitment to make the link.

“Physics is bridging the scientific gap between thought and matter.”

Important research is being done in the field of Quantum physics which ties directly to what we are talking about. Physics is bridging the scientific gap between thought and matter.

If you don't know anything about Quantum Physics, you should know the fact that most of the rapid and continuous advances made in the computer industry is due to the application of Quantum physics. Buried deep in the theory, which is supplanting Newtonian physics as the model for describing the natural laws of the universe (or multiple universes according to string theory), is the concept that at any moment in time, a photon of energy reaches a point of decision: should it become a wave or a particle? If it becomes a particle, it becomes matter. If it becomes a wave, it is pure energy.

“...Quantum Physics displays the link between conscious thought and the effect it has on our surroundings.”

You won't believe this: studies have shown that conscious thoughts can significantly affect the outcome of whether a particle becomes a wave or a particle. In the now famous experiments by Dr. Masaru Emoto it was discovered that crystals formed in frozen water reveal changes when specific, concentrated thoughts are directed toward them. Dr. Emoto found that water from clear springs and water that has been exposed to loving words shows brilliant, complex, and colorful snowflake patterns. In contrast, water exposed to negative thoughts, forms incomplete, asymmetrical patterns with dull colors¹. At the most basic level, Quantum Physics dis-

¹ For more information on Quantum Physics and Dr. Emoto's famous experiment with thoughts and crystals, go to <http://www.whatthebleep.com/crystals>

plays the link between conscious thought and the effect it has on our surroundings. Keep in mind that this same field of physics is a key theoretical component in the computers we use everyday.

To begin your journey as a conscious and successful trader-or anything else for that matter-try bridging the gap between you conscious and subconscious by first making the decision to make the effort. You don't need to believe; experience will convince you. Start with the premise that by developing a disciplined ritual of telling your subconscious what your conscious mind wants and make this a part of your trading discipline. Acknowledge that it will take time and require perseverance but in the end, you will be rewarded by tangible proof.

Just how you chose to train your subconscious depends on your preference. There are many sources to choose from, but the more specific to your needs, the better. However, the principle implication is clear: you can determine your reality... if you consciously choose to do it. If you don't believe, that's ok, but not making an attempt to see for yourself would be a mistake.

