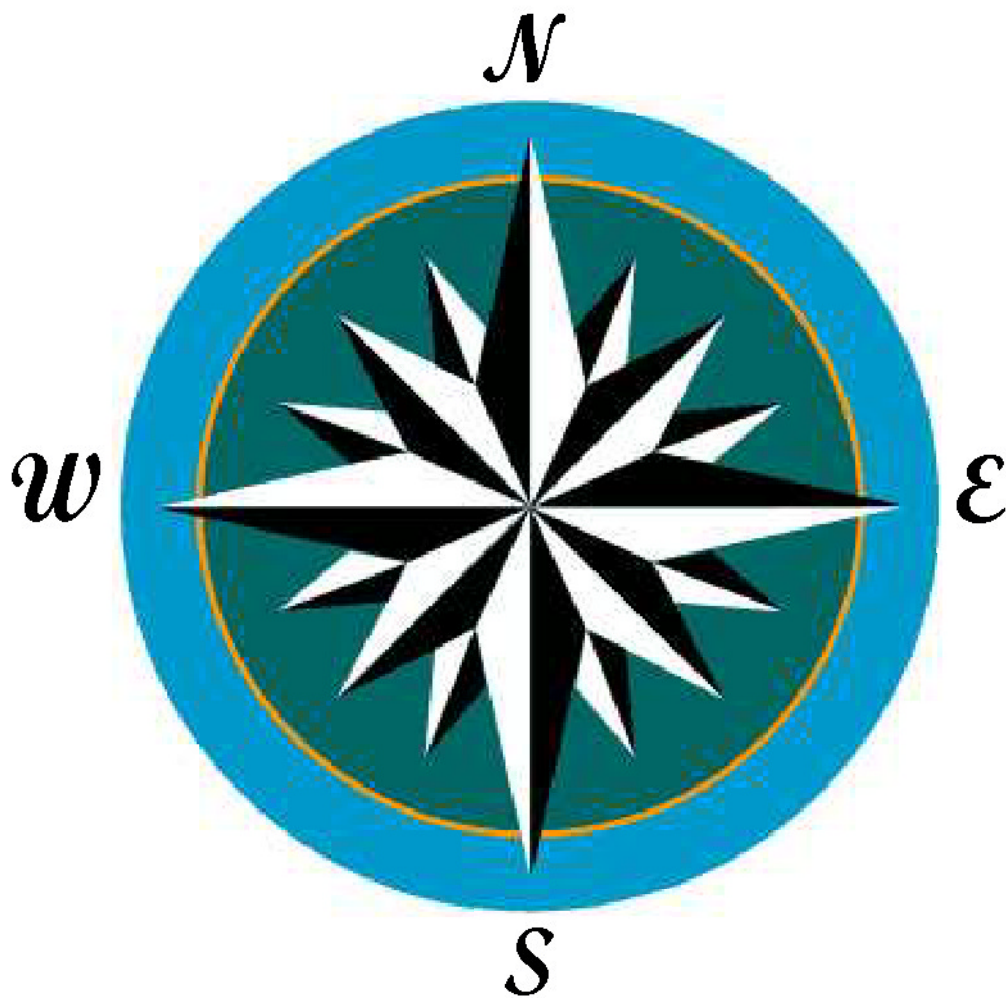


TRADERS  OFFER

Trader's Guide To Emotional Management

How To Trade With Your Emotions



by Brian McAboy

www.InsideOutTrading.com/tgem/

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THE TRADER'S GUIDE TO EMOTIONAL MANAGEMENT

How to Trade WITH Your Emotions

For Confidence, Greater Consistency, Easier Discipline, and Better Profitability

Introduction.

I congratulate you on getting this guide, for it shows that you have the fortitude and courage to face some of your 'demons' and take action. I do hope that you will follow through with this guide and use it to change your fortunes.

This guide is intended to give you a solid understanding of where, emotionally speaking, many mistakes originate and then guiding you through a discovery process to determine the best course of action to resolve the problem. By knowing this, you are empowered to take specific and appropriate actions to address these sources and thus reduce the likelihood of the mistakes occurring and the subsequent losses or missed opportunities that result.

This is all personal work that is involved. While I may speak of certain technical terms in this guide, the markets you choose to trade and the methods you employ are all your decision. In my opinion, trading is trading and people are human beings, not machines. It is learning to listen to your emotions, to be aware of them and what they are telling you that you can best make use of the natural processes that are part of you.

You, as a human being, are magnificent and all that there is to you is truly amazing. You're capable of great accomplishments when the various parts of you are working congruently. If you are experiencing difficulty in your trading, then you just haven't discovered how to bring everything into alignment.

Your emotions are an integral part of who you are, and they serve you, whether you think they do or not. They are a response and they are telling you what you need to pay attention to – if you know how to listen to what they are telling you and not just getting caught up in the feeling.

I've had conversation with numerous people about trading in general and one notion always seems to come up sooner or later: how the experience of trading can be like a very powerful mirror. In trading, you'll learn more about yourself than in most any other endeavor because it is you and the markets, no one else. Unfortunately these enlightenments come through hard lessons, but any weaknesses, fears, shortcomings and strengths will be highlighted for the trader.

Trading is a high-stakes and often high-pressure situation, and there is no one there but you. Yes, you may have a mentor, friend or broker to assist you, but the trading decisions are all yours and while the temptation is always there to blame someone or something else, you always know in the back of your mind that the results of your actions are all your own.

You've got guts and I say that because you will have many realities to face. Your results and your experiences are all a reflection of you and how you approach your business. If you have personal, mathematical, money or discipline issues, the markets will put that right in your face, no punches pulled. The markets will be cruelly honest with you and many people don't want to face that mirror. For many, it is a scary proposition and they would rather deny the truth than face it and grow from the lessons to be learned.

It takes courage to honestly look at yourself, face your fears and admit your weaknesses and short-comings. I admire you for having the integrity and courage to do so.

Speaking of honesty and candor, here are a few 'facts' to keep in your pocket.

You are smarter than average and capable of succeeding. You've already shown that by being in a position to trade. You've got the courage to do things differently than the rest of the crowd. You wouldn't be a trader otherwise. It's too risky for most.

Important Notes About This Guide

It is important to differentiate between an occasional human error and the type of mistakes that are repeated and/or done with a conscious knowing. For the purposes of this guide, the mistakes will be presumed to be repeated and of a frequency that indicates a specific and important cause. Minimizing the chances for random human error will be addressed in a section after the full analysis.

It is also vital for achieving the goal of consistent, sound and profitable trading to understand that repeated mistakes are more like symptoms of a larger problem. It is tempting to look at a given mistake on a very superficial level, and to offer more of a band-aid than a true solution. For example, one of the reasons that a trader may hesitate to enter a trade at the time their system indicates is not from having incurred a string of losses, but that they may have never taken the time to back-test their system to establish realistic expectations for their system, and thus they have not built the necessary confidence in that system to execute it properly and comfortably.

Let me drive this point home by means of a counter-illustration.

A consistently profitable trader that makes no emotional mistakes has likely done the following things regarding their system and market selection. They have selected a system which:

- They are comfortable with and understand fully
- Follows a proven methodology and strategy
- They have back-tested sufficiently to know the metrics of their system
 - percentage of winning trades versus losing trades
 - winner to loser ratio in terms of dollars on a per-trade basis

- Includes risk tolerance limits that are protective of their account, both for individual trades and overall percent of the account at risk at any given time.
- Includes protective measures, such as stops, to manage risk exposure
- Matches well with their general risk tolerance
- Requires a time involvement congruent with their personal and business lives

And they have done the following things regarding themselves, as the business owner and the trader:

- Performed a personal financial statement, to ensure that the risk capital used to fund the trading account is within their comfort zones
- Properly studied the core concepts in trading to a point of thorough understanding
- Explored and fully grasped all the terminology used in their trading
- Implemented and put into practice keeping a trading journal
- Implemented regular and scheduled periodic reports for their trading business
- Implemented regular and scheduled periodic reviews of their trading execution, with a focus on continuous improvement
- Done sufficient soul-searching and exploration regarding their beliefs to identify counter-productive and/or contradictory beliefs and views of themselves, money and trading.
- Assembled and implemented a business plan, including: a budget, financial controls and general money management rules
- Developed their math skills to the point that the math involved in their system is comfortable, clear and meaningful
- Organized their trading area (the physical location in which the trading is done) so that it is conducive to good trading
- Identified and developed healthy and sound routines and practices as an integral part of their trading activity
- Set it as a personal rule to only trade when they are rested, well (not ill), and free from other pre-occupations
- They have set their focus on developing consistency in what they do.
- Pay close attention to detail when entering trades
- They focus on the PROCESS of trading, on good execution, not on the money, past experiences or outside influences.

The trader that makes regular mistakes that cause large losses and missed profits has very likely missed one or more of the items listed above. It is in these missing pieces that the source of the problem can often be found.

Scope of the guide. The opportunities for error (and subsequent losses) in trading are numerous, over 50 in fact. Many are specific to actions taken in individual trades, while others are attributable to more general actions or omissions in one's trading. Both are included in this guide, because many of the