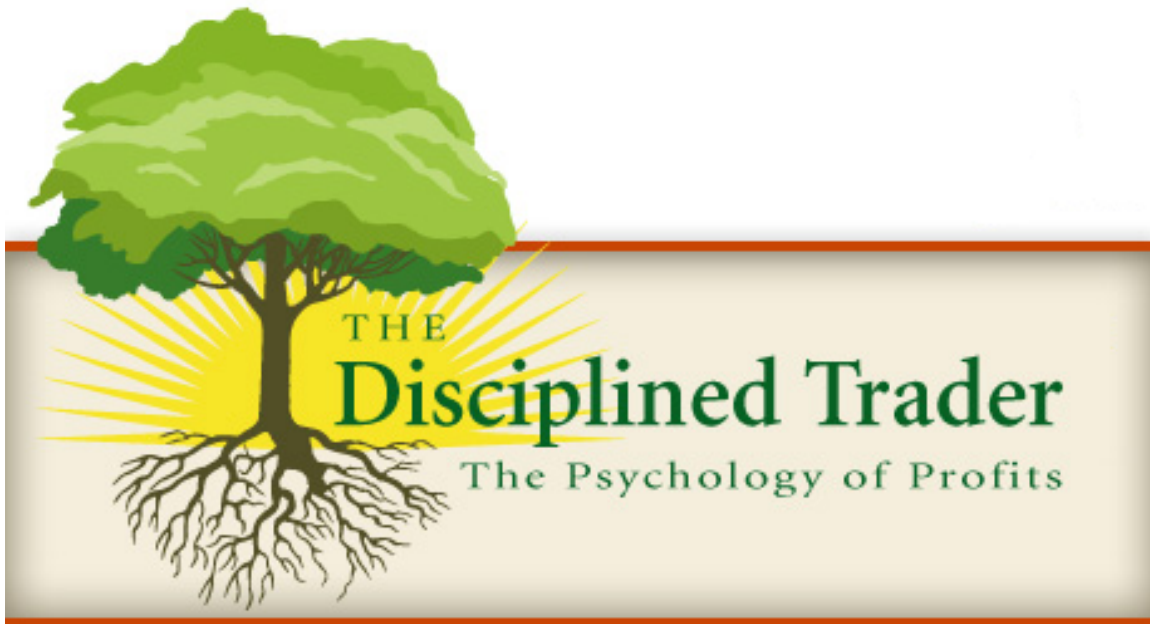


Trading Is A Business:

Conversations with Joe Ross

Fall 2010

presented by:



We were pleased and honored to have Mr. Joe Ross with us for a week as our Guest Administrator on [The Disciplined Trader Intensive](#) Forum.

Joe Ross has been trading and investing since his first trade at the age of 14, and is a well known Master Trader and Investor. He has survived all the up and downs of the markets because of his adaptable trading style, using a low-risk approach that produces consistent profits.

Joe Ross is the creator of the Ross hook, and has set new standards for low-risk trading with his concepts of "The Law of Charts" and the "Traders Trick Entry." Joe was a private trader and investor for much of his life, but a serious health situation in the late 80's caused him to shift his focus, and that is when he decided to share his knowledge. After his recovery, he founded Trading Educators in 1988, to teach aspiring traders how to make profits using his trading approach.

Joe Ross has written twelve major books and countless articles and essays about trading. All his books have become classics, and have been translated into many different languages. His students from around the world number in the thousands. With all of this I invited Joe to be with us for a week because of MY FAVORITE of his books, "Trading Is A Business" which digs into the head and heart of the trader and concluded that if we can SEE TRADING AS A BUSINESS AND GET OUT OF OUR OWN WAY, trading is the most perfect business in the world!

As Joe says in MY favorite "Ross book", at the end of the chapter titled, Trading Is A Business (same chapter title as book title)...

"If you are ready to trade as a business person, with sound economic planning, organizing, controlling, directing, and delegating, then read on. If not, then you have gotten your money's worth out of this book. You're better off not trading. You're better off treating (futures) trading as something to be left alone, or as gambling, recreational fun, a way to punish yourself, a way to give back some of what you've been taking from others, penance, self-flagellation, or giving to charity - mine to name one."

Now you see why I LOVE Joes work. Let Joe's advice to our students empower you!

Norman Hallett
The Disciplined Trader Institute
October, 2010

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Question 1:

I know that if I allowed the probabilities to play themselves out I would be profitable at the end of the month if I followed my rules. Why is the fear of going live and risking real money causing me to enter incorrect trades, not follow my rules and how do I get myself out of this vicious cycle?

Joe's Answer:

Wow! You just opened Pandora's box. Since I am not a shrink, my answers are strictly what I feel and have experienced. We are dealing with fear here, and that's one of the things that drive the markets.

Fear is an emotion, and markets move based on the emotional reactions of traders to the movement of price. You might say that the emotion of greed in some is the cause of fear in others. Fear and greed are the two main emotions we see in the markets. There are others, but let's look at fear.

Not many people are aware of it, but besides being a trader, author, and educator, I am also a Christian Evangelist. And the way I learned to handle fear was through the Bible. There is a statement in the Bible that says: "Perfect love drives out fear." To me that was a thunderous statement, and I set out to find the answer. The answer turned out to be that I had to love trading so much that my greater love for trading would be able to expel the fears that are associated with trading.

Many people have a passion for trading, but passion is not love. You have to truly love trading to put up with the mental, emotional, and even physical stress the markets can place on you.

But how can you love something that threatens to abuse you and beat you up? How can you love something that has the ability to destroy you, and I don't mean just financially.

The possibility of destruction was my dilemma! It forced me to search the scriptures for an answer. I found what I was looking for, and teach it at my seminars. However, since you probably are feeling that for the moment you have had enough of seminars, I offer you the following [link](#). It's a page on my website, and it's where I discuss fear and a number of other things that bother traders.

Question 2:

Wow, awesome, Joe,

Praise the LORD!... finally I found a Christian trader (you) who is truly a mentor/model can be looked up to, who combines spiritual growth, trading and evangelism together at a great balance level... I love this forum... this course...

Thank you very much, Joe, Norman & Tisha!

cool... so, if trading as a business, which God is in control (like CEO), and I am merely a

COO (like)... a worker, will it change our mindsets when we taking triggers, managing trades and exit accordingly to the protocols set for the business? Could you please expand on these? Is this how you operate your trading as a business like this? or not at all?

Praise the LORD!

Joe's Answer:

Well, I guess I stepped into it now.

God is the best trader in the entire universe, and he made the greatest trade of all time, when he took the chance that his son in human form could kick the devil's butt. He won and so there is no need for fear in our lives. God's desire is that we be in good health and prosper, but he also gave us free will. So we can choose fear and he won't stop us. We can choose to lose and he won't stop us. It's all a matter of making the right choices. God wants us to choose to win. Our destiny is to be conquerors.

When I was a kid I was a juvenile delinquent. My parents were both atheists. I felt like an orphan, someone who didn't belong. I was hungry for love, appreciation and success. I looked everywhere for answers, but I couldn't find them. Then, through the strangest of coincidences (too much to write here) I found God, or maybe he found me. I made up my mind to run my life and my business according to a single principle: Love your neighbor. The lord said the greatest commandment is to love God with all your might. He said equally with that is to love your neighbor. The two are equal. God formed every one of us to be his children. If you want to love God, love his children--yes even those who hate or abuse you. I'm not talking about romantic love here. Godly love is outgoing concern for others.

When you find God, he changes your mind--giving you a new mindset. If you accept God, he says he makes you new--a new mind, and a new spirit.

God is truth. Truth is actually a person! The lord said, "I am the truth." The markets are full of lying, cheating, manipulation and corruption. Yet there is truth in the markets. When you have the truth--you will automatically know how to manage trades, you will enter and exit in accordance with wisdom. I am living proof that it is so.

I am dyslexic. I cannot add a column of numbers. I can barely read. But I didn't need any of that because I learned that God wanted me to prosper. So I accepted it at face value and pursued what he promised.

I have been fortunate to receive and understanding of the markets that few have ever had. I have taught great traders the basic principles of the markets and when I was finished, they stood with their mouth open saying things like: "Where has this been all my life?" "Why didn't I ever see this before?" They are always amazed!

You asked if I operate my business in accordance with my beliefs. The answer is yes, but I have two businesses.

First and foremost I am a trader. I have been mightily blessed in my trading, but from nothing I ever did on my own. God led me every step of the way to an incredible

understanding of how to trade.

Second, I am an educator. God gave me the gifts of writing and speaking so that I can educate others and teach them how to trade. When I do, I am loving my neighbor. He showed me that I cannot keep anything that I'm not willing to give away. So at Trading Educators we give away more than anyone else. But we also have to earn money to keep the educational business viable. Salaries have to be paid, websites must be maintained, etc.

Trading Educators exists for anyone God sends to us, and you would be amazed at how many come to us and say: "I think God sent me to you in answer to my prayers." The money we earn is used to pay our staff. I do not take a single cent from Trading Educators. I earn my money as a trader.

I have had a miraculous life, a life with abilities far beyond what I would ever have believed as a child.

All I have done with both my trading, writing, and teaching is to use God's wisdom and principles. Beyond that, everything seems to fall in place.

Question 3:

I keep replaying your webinar because it resonates so deeply for me. Now, I get the second 'piece' which is this discussion and the wonderful link you gave us.

I really needed this discussion to reinforce the teachings from your webinar Joe, and address the ongoing 'lawlessness' which I still indulge in and continue to sabotage my own success. Thanks to everyone for the subject.

Since it really IS God's money and I'm HIS employee, these are the simple truths I want to focus on before applying any more real money to my trades. I'm going to put this on a sign and post it right over my desk, where I can see it.

The thing is about money...I truly believe you can't keep it if you don't give it away. Once I'm consistently making successful, well-managed trades, there are some great charity organizations that have deep meaning for me, and I want to be able to share the rewards with them.

I really like your comment on your webinar where you say 'if you are losing money, STOP Trading. Take a week or so off... and regroup.'

--Today was another example of trading days I want to put BEHIND ME. I sold my winner much too early (lack of patience, confidence) and spent the rest of the day regretting the other A+ setups I correctly identified yesterday according to my trading strategy and DIDN'T take. What a waste of time in the day of life...

Enough already!!!!

Joe's Answer:

I think that somewhere on this forum I mentioned that all you need is one good trade. It sounds to me like you are looking at too many markets. Before the trading actually has begun, I have chosen the one market I am going to trade. I don't even want to look at anything else.

Now I'm going to hit everyone with a hammer--what I say next will shock you, unless you believe that what I say has been proven time and again to be correct. The proof comes from my own trading plus the experience of some of the most skeptical people I ever met, until they proved for themselves that I am right.

Ready! Here it comes!

I make one and only one trade/day--win or lose! My trading day averages 20 minutes. When I trade options my trading is about 20 minutes/week. But in either case, it is only one trade.

Many who read this will think I am clearly out of my mind. I thought I was nuts when I first realized that it worked. But since that time the proof is overwhelming.

Your broker is going to hate me. Maybe you better not tell him. Naturally, this goes completely against everything you have been told by the industry.

If you last long enough in this business, you are going to discover that virtually everything you are told and given as sage advice is a two-sided coin, and is meant to deceive you, even though there is an element of truth in what they say. For example: You are told to always have stop in the market. I believe that is true. You never know when some calamity may occur that could wipe you out and make you wish you had a stop. But what is on the other side of that coin? Always have a stop in the market so we can see where it is. After all, the manipulators make their money running stop--they call it filling orders. You say, those dirty rats ran my stop. And they say, we filled your order--we have given you price discovery and an efficient market. But they say that tongue in cheek.

You are told the trend is your friend, when they know darn well that 85% of the time markets are either moving sideways or swinging.

Most of you have never seen a real trend; I mean one that lasts for 12-15 months. What's the other side of that coin? You are lured into the market just about the time they are ready to shove it down your throat.

There are many such "wise" sayings in the market, but always-always look to the motives of those who want to take your money.

Question 4:

It is really shocking...only one trade a day for a full time trader! Wow. I didn't even know that was possible.

That would mean a large sized one? That would also mean a good win percentage? That also means a very sharp focus on what you want and how to get it?

Common wisdom is to spread out your risk through different types of stocks and markets.

Joe's Answer:

Common wisdom is what causes 90% or more of traders to lose their money. I never have claimed to use common wisdom. I am now, and have always been a contrarian. I refuse to do what everyone else does. But to me what is shocking is that you are having difficulty seeing that it is possible to have a very high win percentage, a very sharp focus, and how to get what you want. The way I trade is utterly simple. Traders often suffer from thinking that if something is not complicated, there must be something wrong with it. With that mindset, you will find yourself desperately trying to figure out the markets, while the answer is staring you right in the face. If you want to hide something, the best place to do it is right out in the open.

I get a kick out of you saying I am a full-time trader. Being a full-time trader is the last thing I want to be. I want to have a life. Sitting in front of a screen trading all day is slavery. If I ever become a full-time trader, somebody please kick me. I will have failed. Why would I want to trade full time if I can make my money in a few minutes each day? Trading is a business, but good businesses allow you to use your wits to make money, not your back.

Question 5:

In your webinar you say we are our own worst enemy when it comes to trading the markets. I certainly know that's true for me and why I am here. I need help with de-complicating things.

I will start with a very simple, easy to follow trading plan. As I simulate its implementation, I continually modify and tweak it to pin point entries, specifying indicator configuration criteria on the different time frames I use. The reason for this is to try and identify the high probability trades in my system. All too often I end up hesitating on an entry because I have a conflict among the time frames, or else I will overlook a detail in entry criteria because there is just so darn much that I have to remember. Whenever I think about cutting back on the number of time frames or indicators, I come up with too many occasions where having that additional information was helpful to have. In many cases it was to avoid taking a trade that ends up being a loser and at other times it helps to confirm a pattern on my main time frame.

My results trading in simulation are acceptable overall, but I have the occasional confusion situations mentioned above that lead to losses.

Whenever I attempt to trade with a live account, I have in the back of mind these confusion areas and the possibility of taking an unnecessary loss. I lose focus and it is very difficult to follow the complex plan through the added stress of real money on the line now. This causes me to not follow my rules and I get in an incorrect trade where I take a loss. Then I go back and basically start from square one rewriting my trading plan as a simple easy to follow version that only once again becomes more complex as I

practice it on the simulator.

I know that if I was able to get rid of these confusion areas I would be able to follow my rules and be profitable, but as I mentioned above, the complicated plan can also keep me out of unnecessary losers and confirm patterns. How do I make my plan less complicated and get myself out of this vicious cycle once and for all?

Joe's Answer:

Oh, if I could just get my hands on you and show you how far off-track you have gone. I can't do it here in the forum, but if I could, I would straighten you out in no time. What you have written above indicates that you are making all the mistakes. Sadly, many traders enter the jungle of trading, and only a few come alive on the other side.

I've read the questions and comments of all who have written in this forum, and I want to weep for the torments you guys are putting yourselves through.

Maybe you can talk Norman into hosting a seminar, in which I could show you how simple it really is. When you know how to trade; understand the markets; know why prices move; know who moves them; know how far they are likely to move, your whole world changes. You can then trade any market in any way you choose. My associate Jim Augustine is an option trader. He could never figure out the things I just mentioned. So he was doomed to use complicated option strategies. When I showed him how easy it was, he now trades options without bothering with all those "Greeks" and he doesn't even need an option model.

When another of my associates, Andy Jordan came to me he was one of the most confused day traders I ever met. He had a PhD in mathematics and he was trying to fit the market into a box. But that is like trying to pound a square peg into a round hole. When I showed him what it was all about, his eyes opened up and today he is one of the best swing traders I know, and also a great futures spread trader.

You said you tweak your plan: Huge mistake.

You said you have a main time frame: Another mistake.

You said you are configuring indicators: Why?? Why do you even need them? Why do you have more than one indicator? Are you looking for confirmation from indicators?

You are using multiple time frames: Why? It's not wrong to use multiple time frames, but why are you using them?

You said there is too darn much to remember: Why? There should be darn little to remember.

You have confusion areas because you don't understand market dynamics.

Question 6:

Joe, what role does the mechanized trading world have on the retail trader today? I know the odds have always been stacked against us but has this made it worse. If so, are there markets such as individualized stocks or options that give us a better edge.

Joe's Answer:

There is one thing you have to realize about mechanized trading. It has turned the markets into nothing more than gigantic gambling casinos. When a computer is in control of a market, the normal human emotional reactions to the movement of price are made null and void. As mechanized trading becomes increasingly prevalent, the markets will become increasingly volatile and dangerous. I have witnessed this evolution towards computerize trading throughout my entire career, but I never let it bother me. I learned how to work around it. First, it became possible to trade using a PC. That brought with it an onslaught of indicators, and various ways to try to measure the markets mathematically (Gann, Elliott, Fibonacci, et al).

It's not that those things didn't previously exist. But it was terribly difficult and time consuming to try to analyze the markets using technical analysis prior to the PC. It was about all I could handle to keep track of a moving average. However as technical analysis became prevalent, fundamental analysis became of little use. I have had traders come to me from Archer Daniels Midland, Texaco, Cargill, Andre Co.--huge commodity firms, who no longer can make money trading based on the fundamentals. They know them, and they used to control the markets. But with the move from main-frame computers down to PCs, came huge pools of money and funds, which made the commodity giants look small. They no longer could control the markets based on fundamentals. The pools and funds were in control, and that caused markets overall to stop trending and begin swinging. The pools and funds bought oversold and sold overbought, and the markets forever changed.

Now we are looking at the next revolution in trading and that is high frequency mechanized trading where no human is involved other than in the programming of the computer. Can a computer programmer program for every conceivable situation? Not hardly! And so in February of 2010, we saw over 4,600 contracts of crude oil trade in 15 seconds of the final 4 minutes of trading before mark-to-market. These were buy contracts and there was a flash explosion.

Then in May we saw a 1,000 point drop in the Dow in a period of 2 hours--a computer out of control. We are going to see more and more of these types of flash crashes, and flash explosions as various entities write their own programs trying to get a piece of that action.

So, how does the small retail trader survive under those conditions? The following are some of the things we are doing at Trading Educators.

Day Trading: We day trade nothing over a 10 minute chart in gold, Russell 2000, crude oil, and euro. These change in accordance with market volatility. By change, I mean we

constantly change the time frame and even the markets. So tomorrow we may drop Russell 2000, and trade E-Mini S&P, or drop the euro and trade the yen. Today we may trade gold on a 10 minute chart and tomorrow we may trade it on a 3 minute chart. We have become scalpers, literally, so we are able to run between the legs of the market movers.

Options: We trade weekly options (currently there are 25 of them) on exchange traded funds (ETFs), especially those that offer double and triple leverage. That gives us high premiums.

Spreads: We trade observation, seasonal and correlation spreads on commodities. We have the most extensive educational program on spread trading of anyone in the business.

Forex: We trade (not me personally) our discretionary trading method called "Ambush." It is designed for people with small accounts. It trades almost exclusively the cross rates--that's where the most money is made in Forex trading.

We trade virtually every day. We are real traders. But there is one overriding factor about our business. All of our traders are teachers, and all are willing to share with others the way we trade. We are an educational company. We teach in every aspect of trading, and we support everything we teach. That is why I am willing to tell you what we trade.

All of our trading is designed to give us and our students an edge. Having an edge is everything there is in trading, apart from self-and business- management. But learning to manage yourself and your business are in themselves ways to gain an edge.

Question 7:

You spoke of changing markets with volatility. What is it about volatility that makes you change. Too much or not enough? How do you measure that and know when it is time to change markets.

Joe's Answer:

One of the most important things you can ever do is to determine your own personal risk tolerance. Once you know that, you must match it to the market and time frame that offers that amount of risk. If the risk in the market is too much, drop down to a lower time frame. If it is too little, step up to a larger time frame. There are numerous ways to determine volatility. You need to match the method you use to the way you trade. I know of no magic volatility measurement that fits all time frames and all markets. Probably the simplest way to do it is determine the volatility in the time frame you wish to trade. You change markets and time frames when the amount of risk is not enough or too much. That means you should have a range of risk you are willing to take per trade. Maybe you can handle between \$300 and \$400 per lot traded. Then look at how many lots you need to trade to make what you want. If you say in need 10 lots to make what I want, and you are risking \$350, then if you get blown out, you lose \$350 per contract. If that's too much stand down, or move to a lower time frame. Conversely, there needs to be enough volatility for you to achieve your objective. If you want to make \$3,500, you need to see

that there is enough volatility in the market to make \$350 per contract. If you go by some rule (I don't) that says you need to be able to make twice what you risk, then you are going to need to see \$700 of volatility per contract.

Question 8:

Joe, with all the benefits of business trading there are some disadvantages and difficulties. Would you comment on them, please.

Joe's Answer:

There are many difficulties, the main one being winning the battle of who you are--you might call it the battle over your emotions and self-esteem. This seems to be the most difficult thing for traders to do. You have to fight fear, greed, pride, etc. The thing that destroys most traders is themselves, not the market. The market is an amazing instrument for bringing out every one of your weaknesses and exploiting them much to your sorrow.

I like to think that becoming a trader is becoming someone like the character "Rambo" in the movies. Totally focused, essentially unemotional, completely in control during your mission. That mission takes you into warfare each time you trade, but the enemy is seldom the market, the enemy is you.

There are also disadvantages to trading and these are largely a result of having a wrong-mind set due to an erroneous education. For example, it is no fun at all for most people to have to sit in front of a screen all day long trading in and out, trying to end up a winner. Sitting in front of a screen like that almost guarantees you will lose. At my seminars and in private tutoring I show traders that all they have to do is make one single winning trade a day. To do that takes on average 20 minutes. That may seem to be a pipe dream, but I can prove it and do so all the time. If you make yourself a slave to the market you have set yourself at a disadvantage.

Another disadvantage of having had a wrong education is believing in idiotic things like Elliott Waves, Fibonacci Numbers, and Gann Theory, and Candlesticks. Those are all nice money-making gimmicks for the people who sell them. I can prove to anyone that none of those are necessary to being able to make all the money you want as a trader. So you are at a disadvantage if you make trading a whole lot more complicated than it really needs to be.

In summary then, what makes trading hard is the fight with yourself, and the fight against all the baloney that is marketed out there as "if you'll buy my product, you will own a yacht, a mansion, a Rolls Royce and your own private jet."

Sadly, those are the very things wannabe traders are inundated with when they first attempt trading, and there are few who survive long enough to finally discover the truth. I can safely say, that those who have the most knowledge, have the advantage over those who don't.

Question 9:

I was just wondering how to select a teacher, to really figure out if he is qualified. A good sales pitch has taken me in a few times. When I get a mentor I would like to know their qualities as a trader or teacher. I am not certain how to do this.

Joe's Answer:

Going by my own experience, getting a mentor will save you hours of hard and mostly fruitless work, along with a ton of money. That's where I was truly fortunate. A mentor is a short cut to getting what you really need to know and avoiding all the garbage you don't need to know. Not everyone benefits from a mentor because so many need to learn the hard way. Others listen to a mentor but immediately try to fix what they've been taught. If you go to a mentor, you should be prepared to do what he/she says to do. The best way to find a mentor is via word of mouth. Talk to others he/she has mentored.

Question 10:

Can you expand on how traders can simply take one trade a day and be done within a few hours? I trade fx, and I know that if I make 50 pips a day, in due time that will give me everything I need and more--as my money compounds and I can afford to trade more lots while maintaining only 1% risk per trade maximum. It's actually quite amazing to look at how quickly an account grows over the period of 2 years if we can become consistent. However, right now, I find myself too often sitting too long in front of the computer screen, monitoring trades, giving back pips, and frustrating myself!

Joe's Answer:

You answered your own question--trade more lots. But trade more lots on very high percentage setups, that occur frequently at the right time of day, in time frames having acceptable risk for the way you want to trade, and for your personal comfort level. There are very high percentage setups available that are so simple that few traders ever discover them. Nevertheless, they are right in front of your nose, with no need for indicators, or fancy theories. The problem is that most traders are looking for things to be complicated for them to be of any value. One of the secrets of the markets is to look for what is glaringly simple.

Question 11:

I watched the webinar you made for the Basics course and printed up the slides that went with it. You state that we are our own worst enemy and the problems we have as traders are those that derive from our own individuality. You also mention that personal management is the most important area in terms of having a successful trading business.

We are all here in this course to master our emotions and develop self-discipline and self-control, but how did you overcome your internal problems and emotions when you knew

you had to do something to manage your trading business before these types of courses even existed? You mention creating a Life Index, an Equity Curve, keeping a diary of your emotions and logging all your trades, but when it comes down to looking at the market real time, watching the ticks come off waiting for your opportunity to enter, what did you do to "get your mind right" to have the self-discipline and self-control that we need?

Joe's Answer:

I did two things:

1. I engaged in serious self-examination. I needed to find out who I was, and where my weaknesses were. I attacked those weaknesses that I felt I could overcome, and invented workarounds for those I couldn't. Part of those workarounds were the tools; Life Index, Equity Curve, diary of my feelings, and a trade log.
2. I burned inside to have wisdom. I found what I needed in the Bible, in the Book of Proverbs.

Question 12:

At what point should a trader look at moving their money into an LLC or other safe(r) tax haven. Can you please give us some guidance on this? How do we maximize our business and minimize tax before being able to afford to run a LLC?

Joe's Answer:

You should consult with Traders Accounting. www.tradersaccounting.com I have no expertise in legal or tax matters. But Jim Crimmins at Traders Accounting does.

Question 13:

It is great when you wait for the high probability "A" trade and the market moves on to your hit targets and enables you to reach your goal for the day in one trade. The problem comes in when I see a mediocre non-"A" trade that doesn't quite meet all my entry criteria (so I pass on it) go on to hit targets I would have set if the trade was entered. I get very frustrated, but I continue to wait patiently for my "A" trade. When I see it, I enter according to my rules. The "A" trade ends up either a small loser (a trade that plain didn't work) or a small winner that doesn't go on to hit my targets.

I know that this is both anticipated and expected in trading, but the event ends up staying in the back of my mind and influencing my future entry decisions. I become overly focused on looking for the next entry opportunity because I still have my goal to meet. What will happen is I will over look a detail in my entry criteria and enter a trade that isn't correct according to my rules at all. I guess you could say that my brain is looking for the next opportunity so intently that it fabricates something.

Maybe this is why I have such an aversion to losses in general. It messes up my brain and makes it difficult to stay on track with what is truly happening in the market.

Any ideas on this?

Joe's Answer:

Relax, you are trying too hard, and probably trading too much. Here's a true story. A friend of mine tried for over 10 years to make money trading, but he could never seem to get ahead. He first tried Elliott Waves, but that didn't work for him. He next tried day trading futures, but that didn't work, either. He switched to day trading stocks. Everywhere he went the only thing on his mind was his trading. I could never during the day hold a conversation with him. He had his laptop and some sort of radio connection that let him see the markets and that's where his nose was all day long. We went to important meetings, but he never paid attention. He was looking at his laptop screen showing the markets.

Finally, one day he told me he had made a breakthrough, and indeed he had. During all those years, he never could make a living from his trading, but he had another business that paid the rent and kept food on the table. It was a good business and he hardly had anything to do but trade. His other business ran itself.

What was the breakthrough? He began to look at yearly charts. What? Yes yearly charts, and 6 month charts, and quarterly charts--monthly--weekly charts. He began to see the big picture and to understand it. Based on what he saw on all the other charts, he made daily chart entries and began to win. Wanna know what his risk was per trade? I bet you can't guess it right, so I'll tell you--\$200 per contract in futures. The result: His account grew ten-fold in only 6 months. He still trades that way to this day, and he is a very happy trader. He doesn't look at the markets all day. He travels the world. His secret? Learn to understand the markets, not some indicator, not some method, not something that causes you to be intense. Real trading is just the opposite of what most people think it is, but few and far between are the real traders who will teach you what they have discovered.

Question 14:

When we take positions in the futures market for the medium term, I read somewhere that you should treat each day's starting opening position as a fresh one. I mean, think of it as though you would put it on at the opening price on that day and then assess whether you need to keep the position or get rid of it.

I mean delete the back history of the position since the time we had it from our minds. I guess this is for us to easily cut losing positions and avoid the emotional trauma of parting of ways and finally booking a loss. I hope you get my meaning.

What do you think?

Joe's Answer:

I quite agree with that. Apart from testing, the only thing that matters is what you are doing with what you are seeing right before your eyes. You can't trade history, and contrary to what many believe, you can't trade the future. You can trade only the now. People who try to predict what the market will do are spinning their wheels. Ask them to tell you where the next tick will be. They have a 1 in 3 chance of getting it right. People who back test until they are blue in the face also wasting their time. There are no guarantees that history will repeat itself.

Question 15:

Once we hold a position for a long time, usually a loss making one or sometimes doing nothing, we tend to 'marry' the stock as you mentioned. That clouds our judgment about what to do if it makes a move. For example, if we bought a stock at \$50 and stayed with it for some time and now it trades at \$30. At the beginning of another trading day, if the stock goes down further by \$2 we should get out if we follow a strict risk management program. (I know we should have got out much earlier, but that is another story).

Or if the stock moves up to \$35 after a long and laborious wait at \$30, we still don't get out because of the 'history' in our minds that we married it at \$50 and it would be a cardinal sin to book losses of \$15. How does one deal with this kind of emotional reasoning?

Joe's Answer:

Get a divorce. Divorcing a woman can be costly. Divorcing a trade is wise. You have to act contrary to human nature. There are no magic ways to deal with the kind of emotional reasoning that keeps you in a trade when you know you should have gone out--even if it means exiting with a loss.

It is totally a matter of training yourself in discipline and self-control. You cannot learn those traits by reading about them. You bite the bullet and dive in and make discipline and self-control a habit. You learn to get out quickly when you are wrong and you learn to take profits quickly when you are right. If I am in a trade and it is profitable I take all or part of it off as fast as I can. Why? I want to be paid to trade. I want to get a free trade at the very least, so I am quick to get myself a pay day. As soon as I'm paid, the pressure is off. I can now relax and enjoy the trade. But if I'm wrong I am also quick to get out. Why marry a losing trade? Be quick to get a divorce.

Question 16:

Apart from setting up your trading as business in terms of organizational structure, how does a trader trading as business behave differently from a committed trader who is not running it as business? What day by day activities does the business minded trader do? Maybe you could describe a hypothetical scenario of a business trader behaving

differently from the casual trader.

Joe's Answer:

That's the toughest question anyone has asked. The reason is that some traders run very organized businesses bordering on very strict adherence to their business plan and a set of rule. Other traders run very loose businesses, that are little more than just being a committed trader. I tend to be one of those. Planning and organizing are not my strengths. I do the bare minimum to accomplish my goals. A business minded trader tends to be left-brained. He wants everything to fit into his plans. He runs a tight ship.

I'm not sure what you mean by "casual trader." That could be anyone who trades occasionally following an advisory or a hunch, to someone with the minimum of planning and organization, but who makes his/her living trading.