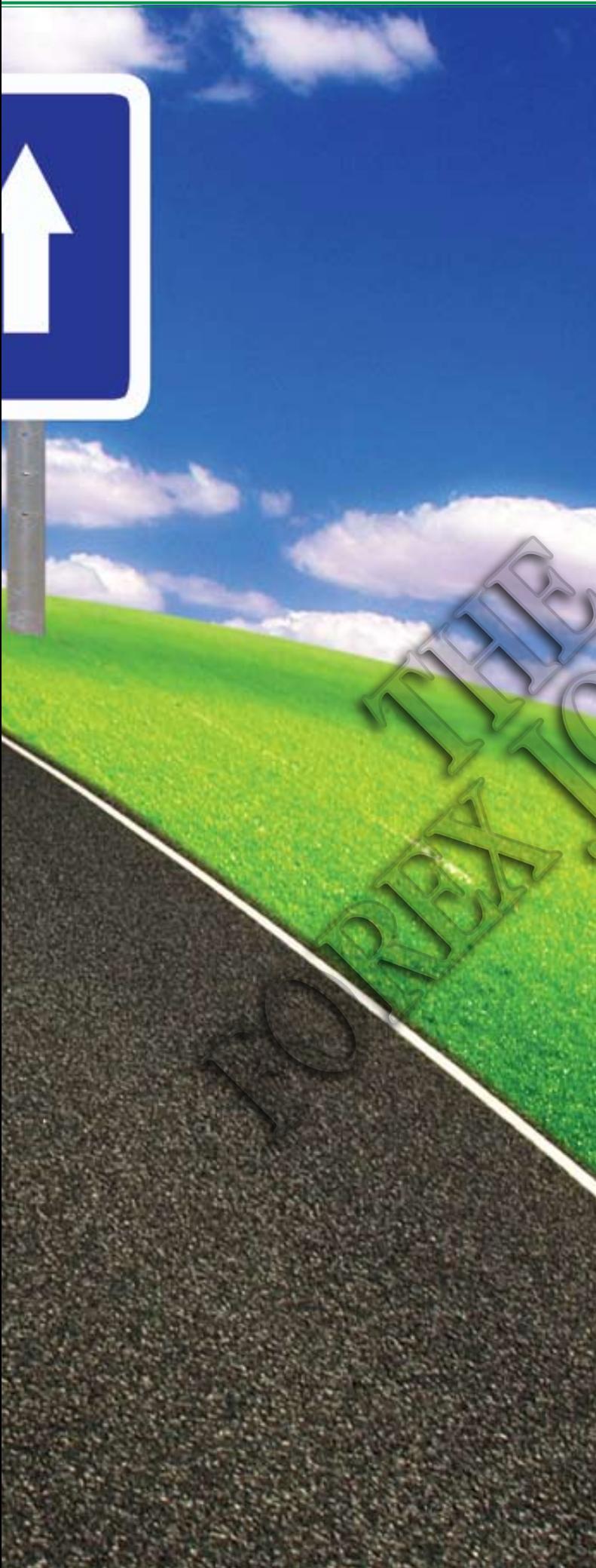




JADE GATE



Forex Success – Top Ten Tips – Personal Qualities of the Trader (Part 3)



Learning the lessons of trading through experience alone can become expensive. Jade Gate provides a series of tips on becoming a successful Forex trader.

The positions vacant ad reads like this:

Traders Wanted:

*Must be dynamic, spirited, have a high pain threshold. Finely tuned bullsh*t meter an advantage. Tertiary qualifications optional. All training provided. Rewards: Unlimited.*

Is this you?

Here is a checklist to begin the journey.

1. Teachable

The question is sometimes asked whether a person with a tertiary education from a prestigious institution makes a

more capable trader than a high school graduate with an appetite for the market.

On both counts, the issue is not one of education level, but of the individual being teachable.

In order to learn, an adult requires immediate relevance to their job or personal life (readiness to learn). Most learning occurs as a result of life experience, in particular, through the making of mistakes (getting it wrong is a great teacher).

Blame passing (something learned from childhood – it is always someone else's fault, the fault of the instrument or tool, not ours) is an endemic disease that has to be cauterized if a trader wants to be successful. Traders often do not want to look inferior or incompetent among their peers. This goes to pride and competition, not wishing to show weakness – it is also why admitting losses resonates so deeply with many traders – it is the elephant in the room, everyone experiences it but no one talks about it.

Asking the direct questions and admitting that you do not know it all. That you have learning and information needs is not a sign of weakness. In fact, it is a sign of strength. The trader who can ask questions and obtain quality information, is the one who will succeed.

Is your inner bullsh*t meter properly tuned?

Successful traders are open and teachable. They are honest and real about their abilities and learning needs.

2. Disciplined

Trading Forex can provide a gruelling education in how to get self-disciplined – fast.

Losing money is painful, extremely painful. It hits where it hurts most, in our pocket and our pride (since we are after all, smart, intelligent, logical, rational people – getting it wrong is not part of the repertoire). When the market's rod of correction kicks in, and it does so repeatedly, there are two choices – absorb the instruction and learn from it; or ignore it and walk away.

The word “discipline” takes its origin from the Latin “discere” meaning “to learn.” To be self-disciplined, means a capacity to apply yourself to learning or doing a given task when you would rather be doing something else.

Can you apply yourself to the task of amending both your behaviour (actions) and your thinking (cognitive processes) as a result of the instruction the market delivers? Successful traders have cultivated the self-discipline to obey their own trading rules.

Successful traders possess high levels of self-discipline.

3. Observant

“The little things don't mean anything. They mean everything.”

The capacity to recognise, observe and pay attention to the fine details has much importance in trading Forex successfully. The astute quality in a trader – being able to juggle a multiplicity of fine detail, accurately sift fact from fiction, recall and apply a plethora of rules and rule exceptions at the right moment – is an important capacity.

Successful traders have the best information. They do not get this information by relying on other people to provide it in a neat little “take one a day” capsule form. They read widely, take in contrary opinion, pay close attention to the detail in their charts, think for themselves and draw their own conclusions. This requires effort.

Successful traders consciously arm themselves with the best information. They pay attention to the detail.

Successful traders are observant and astute.

4. Spirited

It takes a special kind of person to trade Forex successfully. A rare combination of dynamic spirit tempered by concrete realities.

The successful trader needs to be comfortable with risk. Having the “spirit” to take risk in the first place is a legitimate and necessary requirement. The corollary is also having the balanced temperament to apply the brakes, to deal with concrete information and hard evidence as opposed to acting on emotion for the thrill of the ride.

Gaining mastery of the instrument requires tempering the risk-taking spirit with the hard edges of reality. In particular, familiarity with the many nuances of the Forex market. It is this that causes the process of Forex market success to

take time.

Successful traders possess a dynamic spirit tempered by concrete realities. They are comfortable with, and respectful of risk.

5. Resilient

Resilience is the capacity to endure adversity and to bounce back following adversity. Resilient human beings have the ability to weather the storms, to keep things in perspective when adversity strikes, to temper their thought processes with more balanced positive recollection.

It is not a question of adverse events occurring (because we all get our fair share of adverse life events eventually – that is just the random nature of life), it is what we choose to do about it when they do.

When losses occur, the resilient trader takes the lessons, learns from them and amends their trading behaviour. Adverse events present us with opportunities to make a conscious choice – between being the victim or the victor.

Successful traders possess resilience. They persevere and bounce back.

6. Emotionally Mature

The excite factor in a trader, the energy that drives success, can also be the Achilles heel. The ability to “act, not react” matters.

Emotional maturity is not necessarily the exclusive domain of chronological years. Some young people possess tremendous maturity, while some older people are still just kids walking around in adult bodies. Being able to respond to emotional stimuli in a balanced controlled way without allowing negative emotion to rule responses is important.

Successful traders demonstrate emotional maturity; they act in positive constructive ways, not reactive negative ways. They control their emotional responses and do not allow emotions to control them.

7. Manage Risk

A question on every good risk manager’s mind is “what can

possibly go wrong or be wrong with this?” Accurately identifying potential sources of risk and the capacity to sort fact from fiction matters.

In Forex, losses are part of the cost of doing business. They also become the cost of our market education. Paying for quality formal market education is one way to avoid paying for your education by more indirect means – losses.

The best way to contain and manage risk effectively while you learn is to trade small.

If a trader does not have the discipline to trade a micro-account with the same discipline they would apply to a larger account, the outcome will be no different. Turning \$100 into \$200, or \$500 into \$1000, or turning your seed capital into much larger sums requires exactly the same skill set as trading a larger account from the outset.

Keeping the losses tight/low while you undergo the apprenticeship, setting aside the balance of your Forex trading capital for “later” is a common sense strategy.*(See footnote) The objective is to arrive at the point of accumulating consecutively successful winning trades before launching into larger accounts and larger position sizes. If the compounding factor cannot be realized on a small account, it will not happen on a larger account either.

Successful traders are competent risk managers.

8. Stress Manager

Males of the species, being testosterone driven creatures, are prone to seeing opportunity and engaging in risk-taking behaviours. It comes with the territory. It is the nature of the animal and part of the hunter/warrior profile.

Cortisol is the hormone generated when stress levels reach a peak. It provides balance to the equation, it is the “flight” part of the “fight or flight” response. When testosterone is peaking, opportunity abounds. When stress levels overtake, cortisol kicks in with the opposite view, disaster awaits at every turn, caution is the primary driver.

Being afraid to take a trade and missing opportunities happens for a reason. The over-riding instinct is one of self-preservation – which is not a bad thing – it is a part of the mind’s automatic programming to protect oneself from injury and is therefore something to be embraced, not shunned. It is the foundation of giving risk the respect it deserves. Keeping this response in proper balance is a learned skill that will improve with time as the trader’s confidence grows.

Managing the stress of trading and being able to identify your physiological responses and monitor them is important.

Successful traders recognise their decision-making can be affected by stress levels. They identify this and manage their stress responses effectively.

9. Hunger

Being hungry for the expected outcome (an independent means to make money, the goal of financial independence), seeing the potential, having the motivation to persevere and wrestle with yourself, to put in the effort to fill your knowledge gaps, to apply yourself diligently to the task until you reach a point of proficiency is important. Knowledge is power. Knowledge provides the confidence to trust your technical analysis and trust your trading ability.

Hunger for the outcome, being driven to reach your objectives is a key ingredient of the successful trader.

Successful traders display hunger for success. They put in the effort required to fill knowledge gaps.

10. Focus

People who are most likely to succeed in Forex (as in life) are driven by reward for effort. They are highly focussed on what works, have a low tolerance for daydreams that do not deliver. This “reality-check” factor matters. Putting your cold cash on the line, backing your own judgement with hard coin in a high-risk market takes courage and belief in yourself, your system and your trading abilities.

Despite the very best system or entry signals, every Forex trade is a “balance of probabilities” investment. Stacking the odds in your own favour to the greatest possible extent with each and every trade you make matters.

Successful traders are focussed on the reality-check issues. They clinically remove the dross from their inner dialogue and pursue quality outcomes.

Summary

In the picture at the head of this article, the kitten looks in the mirror and sees a lion. This speaks of the optimism and

confident belief the trader needs.

It also speaks poignantly of getting a proper grip on current realities in order to make the transformation possible. Many new traders embark on this journey dreaming of the riches to come, seeing the possibilities but not seeing the present realities or what it takes to arrive at that point. Cultivating the personal qualities needed to trade Forex successfully requires focus, application and discipline.

Successful traders possess a personal bullsh*t meter that is finely tuned. They are open and teachable; observant and astute; disciplined; spirited; hungry for success; resilient; emotionally mature; good risk managers; capable of dealing with stress; focused on achieving quality outcomes.

Jade Gate is a professional in management and education sectors (managing education facilities). She has been trading stocks, options and futures for 5 years and began trading Forex one year ago. She thought Forex would be fairly straightforward given her background, but found it much more complex than she had anticipated and has recently come through the “apprenticeship” phase and is now trading Forex successfully. Her tertiary education is at the Masters level, MPA and Education.

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**Footnote:*

Starting small was without doubt, the most sensible thing I did when I was new to Forex trading. It was a lesson learned the hard way with another leveraged instrument (options). Having completed the obligatory options training course, the first thing I discovered when live trading was that I barely knew enough. I lost \$20k.

The gaps in my knowledge bank blew large holes in my options trading bank. At which point, I had a choice – get fully educated or get out. This is when I met my technical analysis mentor, a specialist in candlesticks, moving averages, momentum oscillators; former specialist in pit-traded futures; educator, CTA and writer (Steve Karnish).

Becoming armed with the detailed technical analysis and market knowledge I formerly lacked made all the difference. Building on this knowledge to become equally well-armed with the detailed knowledge of what works in the Forex market was important (and still is, learning is a life-long process). Trading Forex small to begin with was a very smart move, the legacy of experience and a lesson well learned.