

7 Habits of a Highly Successful Trader

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1) Take Complete Responsibility:

For the successful trader knows every action he takes, every decision he makes he ,and only he, is responsible for that action.

You will never meet a successful trader who is looking to blame someone else, or something else for the consequences of his results. It just will not happen.

You see, when you accept 100%, no questions asked responsibility for all your actions you close the door to "excuses" behind you. When something goes wrong instead of looking for someone else to shoulder the blame, you will accept responsibility, note it down and vow never to repeat it again. Simply, you are willing to accept you are going to make mistakes, but more importantly, you are going to learn and never repeat those mistakes. A vital component of any winning trader.

Could you imagine Warren Buffet losing a few million \$\$\$'s on a share trade and then blaming the general conditions of the market. Or blaming his broker for giving him dud advice? no way! Just not going to happen. I will guarantee when top traders takes a loss the first thing they will ask them-selves is "Did I follow my rules?" If the answer is yes, then they will look at their rules. Is there something that could be changed in their rules to avoid this loss again? Many times the answer will be a re-sounding no.

On the other hand, if after asking the question "did I follow my rules?", If the answer is NO. Then some deep self explanation will be called for. Why did I fail to follow my rules? How can I stop my-self from doing that gain? Am I likely to do that gain, etc..

But do you notice the wording of the questions? How can I, Will I, Why did I. IHHHH Here the trader knows he takes total responsibility for every trade and is seeking re-assurance that he will not break the rules again.

There's an old saying in trading:
" If you have to ask you shouldn't be trading"

Think about it. If you have a system that you have tested and proven over the long run that it does outperform the market and it is a system that fits you, why will you EVER have to ask for an opinion? What extra will a third party opinion provide? Apart from confusing you and clouding your opinion?

If you are a long term trend follower then why ask a day trader?
If you are a value investor then asking a momentum trader will be a total waste of time. What I am saying is, no two people have the same opinion. Why would you believe some-one else over your trading rules? It's a fact of life, and even more so in trading, most people want to be told what to do rather than acting on their own. Yet this is a major reason most people fail in the markets. Either accept total responsibility for your trading action or do not trade at all.

If your number one rule is
"to follow your rules" why will you need to ask a guru what they think of your position? If you EVER find your-self wanting to ask a third party about your position do this:

- * Close the position out.
- * Review your plan and rules.
- * Work out why you lack the responsibility to follow that plan
- * When you are convinced you don't need a third party opinion start trading again.

How can a trader learn to accept total responsibility?
Have a set of rules and realize THE most important point in trading is following those rules. Once you have a set of firmly established rules you will find your-self not having to follow out-side opinion. In fact I go to great lengths not to listen to outside opinion. Simply because, I know by following my rules I will be on the right side of the market 95% of the time and I will never miss a big move. Those kind of figures are much better than any out-side source can give you.

So from today, learn to take total responsibility for all your trading decisions. Strive to develop and then religiously follow a set of trading rules, knowing it is the importance of following those rules that ultimately determines whether you will win or lose in the long run.

If you ever find your-self thinking, "they did this" or, "the market caused that loss." Change it to: "Did I follow my rules?" If the answer is yes pat your-self on the back as you are on your way to becoming a market winner (one of the minority). If the answer is NO find out why and strive never to repeat this error again.

Accept total and utter responsibility for every trade you take from today and you'll be amazed at how easy trading really is.

2) Have a System That fits You:

Every successful trader, investor, money manager, etc.. has a system that fits them. Some are long term, some mechanical, some intuitive, day traders, scalpers, arbitrage, value, momentum. The system itself is not the important factor. What is? Is that the system fits their unique personality.

The system does not matter. I've heard of value investors (Warren Buffet) who make untold millions from the stock market. I've heard of day traders taking home over \$2 million per annum in profits. I've heard of a dancer making \$2,5 million from Momentum trading. What do they have in common? As you can see it's not the system but they operate a style of trading that they are both happy with and excel at. They wouldn't dream of trading any other way. No-one told them to trade this way it just happened this way.

Too many traders try to copy the latest hot fad in trading. Right now that would be day trading. But that style of trading will not suite every-one. To be a successful day trader you have to love the short term up and downs of the market during the day. Being in contact with quotes for hours at a time. Yes, there are a number of traders making very good incomes from day trading, but there's many more who lose their shirts within a couple of months and don't even find out whether day trading is suited to their temperament.

For some traders buying a stock and holding on to it for a year as it doubles in price would be torture. Although long term investing can offer fantastic rewards with very little work unless you have the patience and discipline to ride your profits all the way to the top then you'll never succeed with this method.

It's a little like choosing a career. I remember reading a book some time ago about the world's best managers. And one characteristic the author emphasized with all these top achievers was their LOVE for their chosen careers. Most of them said they couldn't believe they were getting paid to do something they loved so much. It's no different in trading. You will only be a top trader if you trade a system which you simply love to trade. You wouldn't swap that way of trading for anything. And the profits you make, well that's just icing on the cake.

How do you find a system you are happy with? You have to work backwards. First work out your objectives!

Ask these questions:

- * What annual rate of return do I want?
- * Do I want to trade full time, part time, hardly any time?
- * Can I handle the stress of day trading and short term trading?
- * Do I have the patience for long term trading?
- * What kind of personality am I? Do I need lots of action, Do I need to make decisions all the time?
- * What trading books have I read and which top traders do I most admire and why? Could you easily copy their style of trading?

What-ever you do don't read about a hot shot day trader and then try to emulate him if day trading is not for you. Strive to find a way of trading you will be comfortable with and aim to become the world's best at this style of trading.

For me I like the thought of buying a share at \$30 and selling it 9 months later for \$130. Sure it doesn't happen all the time. But it only takes one or two of these moves per year to make it a fantastic return. I am very patient. Not only whilst in a trade but I see absolutely nothing wrong with sitting on the side-lines for months. If the conditions aren't right for me than I will not trade. I love the idea of spending just a few minutes per day checking the charts and the rest of the time is mine to study and write, etc.. For me the big money is in the big moves, not the individual fluctuations.

This style of trading will not suite every-one, but the point is after many years of trial and error I have found a system that fits me and I aim to become THE world's best trader with this system. You must do the same. If you are trading a system that does not fit your personality you can never gain the confidence nor the results to truly make the big profits. If you are a new trader or an unsuccessful one then I suggest you start by asking your-self "What kind of trading suites my personality?" Spend lots of time getting this correct as this is you foundation. Build a strong foundation and your trading system will be strong and stand the test of time. Build a weak foundation and your trading system will crumble along with your money.

This is where the majority of traders go wrong. They have no idea which style of trading suites them. They keep buying into the latest software, or listening to the new guru, hoping this will change their trading results. Most never get to know what successful trading is all about as the average

trader lasts SIX months. I believe any trader who can last over TWO years in the market will probably go on to become one of those rare breeds: A Stock Market Winner. Why? Because after two years they start to develop a set of rules that fits them. They start trading a way they are comfortable with. Unfortunately, in their haste to make a ton of money, most traders will never get two years experience before they lose their money and/or their interest.

Say it today.

" I will find a system that fits me and I will become THE world's best trader at this ONE style of trading"

Go and get to work. There's a lot of soul searching to be done.

3) Plan a Trade and Trade a Plan:

Without doubt, no trader will last long if he doesn't plan every trade. But there is absolutely no point in making a plan for a trade if you are not disciplined enough to follow it.

A plan should cater for every eventuality. As Richard Dennis (Turtles fame) said, "Don't worry about where the prices are going. Worry about what you are going to do when they get there."

Think about what is being said here. Once you put your money down on a trade you can not control the prices. So stop worrying about what could happen and concentrate on you trigger points and what you will do when these points are violated. By doing this your trading stops being emotional and now becomes very systematic and stress free.

Look at this example:

1) you like the look of stock XYZ Corp. currently trading at \$40 and you place a buy 100, stop in at \$42. This is just the beginning. You must then ask and answer the following questions:

* IF filled on this trade where will I place my initial stop loss. i.e "How much of my capital am I willing to lose?"

* IF filled on this trade how will I take profits? By how much will I trail my stop? What exit strategies will I use?

* IF filled, will i add more shares as the trade goes my way?

* If filled and the share does not show a profit after X weeks, will I get out, or will I let my trailing stop exit me from the trade.

* IF stopped out of this trade will i be willing to try and get back in, or completely scratch the trade and look else-where?

2) So having made a complete plan, prior to entering the trade you place the order to buy 100 XYZ corp at: \$42.

3) You are filled at \$42 1/4, automatically you place a stop order in at \$39. No guessing it's done automatically.

4) The trade goes your way and a second buy order is placed in at \$50.

5) You buy 100 more at \$50 and the stop is now moved up to \$45.

6) The trade goes your way and you keep raising your stop at a safe distance behind.

7) Your sell stop is hit at \$130 and you exit the trade with a massive profit.

Do you see now that by having a plan everything becomes automatic. You know where to get in, place stops, add and exit. In short you are now trading professionally and not from emotion.

Not once did you have to ask for opinion. Not once were you afraid of letting a profit get away, or of a loss becoming too big. Simply put, if you make a plan and have the discipline to follow it trading becomes very simple and stress free.

In my many years of trading one point I try to get across to other would be traders is the market will always do its utmost to throw you off track. Once in a share it's a little like riding a wild horse. The prices will thrash around violently shaking off all scared and emotional traders. It will only be the ones who have the discipline to follow a set plan that will benefit from the full move.

If you ever find your-self having to ask some-one for an opinion on a stock you hold then it can only be because you either have not made a plan, or you are second guessing the plan, in which case you may as well not bother making one in the first place.

Planning a trade should be no different from planning a journey. You must plan for all kinds of events. Especially the unforeseen ones. Most of the time a trade will go your way and the plan will barely have to be looked at but what if the share gaps down? flies up? goes sideways for six weeks, the market crashes, the company announces a complete surprise announcement which makes the share gain \$30 in one day? If you aren't prepared for these surprises then when one does happen you are going to find yourself wandering what to do. And once your are trading from the "hip" and not from a plan then expect your results to worsen.

Having a plan totally removes all opinion and emotion from a trade and anything which does this can only be good news. Time and time again at seminars and meetings I hear the same

questions:

" I bought ABC stock at \$25 a few months ago, do you think I should still keep it?"

When I hear such questions I (discreetly) shake my head. How can any-one trade such a way? Where is his plan? When he got into the trade where was he get out point? Basically what the hell is this guy doing trading? Does he really expect to out-perform the market when he has to ask a third party about his stock holdings?

If this guy had a plan and more importantly the discipline to follow he would never ask such a question.

This is probably the single biggest reason people love to follow opinion. People just love to be told to do something rather than thinking of it for them-selves. Reading a recent Internet magazine I was astounded by the number of followers some of the tip sheets have. The top ones have from 15,000 to 80,000. Are any of these followers really making them-selves better traders? I have no doubt a small percentage are but the majority aren't. Why? Because by following some-one else they abandon the principles laid down in this book. There is no system. Responsibility has no been shifted to the guru (so there's the excuse for the losses in place) Worse of all they do not have a solid plan.

When you start following your own plans you will find yourself not wanting to listen to out-side opinion. If you hold ADF stock and bought at \$60 and your initial stop loss is at \$56 then why would you care if the local guru is saying, "Sell ADF it's over-valued and will fall to \$20." For one, he is just as likely to be wrong as right and secondly if your stop is at \$56 then let this kick you out of the trade. At least that way when you ask your-self "did I follow my rules today?" the answer will be YES.

I can guarantee before Warren Buffet, or George Soros buys \$50,000,000 worth of stocks they know exactly what they will do if prices swing one way or another. Could you imagine Warren Buffet thinking, " gee, I bought \$20,000,000 worth of DFG stock and it's down by 15%. what shall I do?" No way! And why should it be any different for your trading? The point is it doesn't matter whether you are trading with a \$5,000 account or a \$50,000,000 the principles are the same. You must eliminate all emotion and follow YOUR plan.

To be a winner in the markets you can never trade from emotion. and the only way to eliminate emotion is to have the iron discipline to follow your own plan. It's said most traders never plan a trade never mind have the discipline to follow one. If you want to become one of the few market winners you must "Plan every trade and trade every plan"

4. Work Hard at Learning How to Trade Properly and Keep Working:

This is no different from any other trade. Would you expect to become a brain surgeon after attending a week-end seminar and reading a few books? Yet, why do so many people expect to become a Market Wizard within such a short period of time?

If you ever have the privilege to ask questions to a successful trader you'll realize just how much effort, time, determination and lost money it took until they arrived at where they are. Being a consistent stock market winner is no different from being a top lawyer, Doctor or businessman.

First you must decide that you really do want to trade. Ask your-self is trading the stock market something I am genuinely interested in or are you lured by the potential money it has to offer you? I always remember reading a book called " Grow Rich With Peace of Mind" Napoleon Hill. Whilst interviewing the top people in a number of professions he came to the conclusion that these people loved their chosen fields. They would have done it for no money. Trading is the same. If your number one goal in trading the markets is simply to make as much money as possible then I doubt you'll make it into the super trader status. If you are simply chasing the money it can be a motivation as long as you are motivated to learn and work at what really works in the market and NOT keep chasing the latest hot new trading idea that exploits peoples love of money to make them act.

I am amazed at the number of traders who have not even read a number of very basic stock market books. It seems it is too much effort for them to read a book and learn some basic principles. Yet, these people will blow a \$10,000 account in less than 6 months chasing the pipe dream. Get real! Successful trading requires not only a lot of ground work but on-going effort in order to keep at the very top of your game.

In market wizards' I and II you will find that ,all but one trader, went through years of trial and error, not to mention huge amounts of effort until they became consistent, successful traders. Why should it be any different for us? Are we saying we are better than they are? Make no mistake, just like it takes many years of intense studying to become a top lawyer, to become a top trader is no different. If you are new then don't expect to strike out and make 80%+ returns

from the day you start. If you do then give me a call and I'll see what you have that no-one else has. Consider the first three years of your trading as going to University. The stock market is the teacher and your initial account are your fees (so keep it small)

So, what does it mean to work hard at your trading? I have broken it down into two sections:

Firstly you will have to spend much time on analyzing your-self, your personality, find a trading style you are most comfortable with, learn how to trade properly, read, study, ask questions. Basically, you are going to have to start from scratch and build a system that fits you. It will take a couple of years at a minimum. If this sounds like too much effort GOOD. You have just saved your-self a lot of lost money. Forget trading and move on to something which genuinely interests you.

If doing the above ground works sounds good, and you can't wait to get started then may-be there is hope.

Once you have developed a trading system that fits you and you have the iron clad discipline to follow your plan then it is a constant battle to stay on top of your trading. As a trader you will never get there, you are always getting there. You must strive to keep improving. Never be satisfied with your trading system. Whilst I don't say "keep looking for fault," I do say every system and trader can be improved. The markets change their character over time, so keep working on what impacts new developments have on them. Strive to become even more disciplined and keep working on your mistakes.

Yes, even veteran traders still make silly mistakes. Look at Jesse Livermore (and I suggest you not only read this book, but study and fear the way this guy operated). Livermore was a stock and commodity trader way back in the early 1900's. He ran a small shoe-string account into several millions but kept losing it. On the one hand he was one of the greatest traders to have ever lived, yet on the hand he was dangerous in that he could not control his emotions. Having run an account up to millions and then losing it, one would think this experience was painful enough so as not to be repeated? Yet when he painfully started from scratch, built his account into several million again, only to lose it in one bad trade, then the alarm bells should have been ringing. Any-one can make a mistake but to not learn from it is fatal. Sadly, after repeating this event one more time he could not face the thought of making a come-back

again and took his own life.

So whilst Livermore was a top, top trader he never worked enough on his own psychology. Had he worked on a sound money management plan and strictly followed a plan for every trade he would not have created this situation.

The lesson? Even when you have made it to become a successful trader that one fatal mistake is lurking in the dark waiting to hit you. Only by keeping on top of your emotions and working on your trading will you avoid running into a catastrophe.

How long does it take to become a competent trader? There is no set time but i would say as a general rule here are some guide-lines:

(0-1 yrs)

- * Work on finding out whether you are willing to put the time and effort into finding a system that not only works but fits your personality.
- * Read some basic books on the stock market. Don't just read them and think "hmm that's interesting, next one.." Really try to get inside the traders mind. Get a feel for how much time and effort was put in before they became successful, how many times did they go down closed avenues? What characteristic made them such a good trader?
- * Attend a couple of seminars. But not -ones where the "Secrets of the Stock Market are Revealed" The secret is there are no secrets. Give them a wide berth. Go to seminars about basic chart reading skills, psychology of trading, money management, etc.. and if the lecturer knows his stuff then get his contact information and keep asking as much information as possible.
- * Using a very simple charting package, start looking at some bar charts of shares and the markets. Do nothing but observe
- * Buy a self help book. Could be a motivational book or similar work and work through it. My trading and life has become so much better since I started working on my-self. It will definitely help in finding a system that fits you.

At the end of year 1 you should know whether trading is for you. And a certain kind of trading technique should appeal to you more than others. Go with this natural feel, it is the one that fits you personality.

If you find trading is not for you? Great! You have saved a lot of time and money. Move on. It's not for every-one. I personally know of some traders who will have to go back to the start if they wish to succeed. In the meantime they keep handing money to the market. It's sad because they've been trading for years. When will the penny drop?

YEAR 2:

- * Open an account with a small amount of cash. This is your learning fees. Expect to lose it all as part of your fees.
- * Keep reading, studying, attending seminars and asking successful traders.
- * Develop a style of trading you are comfortable with. Back test it by hand and get a feel for the size, regularity and number of trades your system gives out. Try to determine how many streaks it comes out worth. ie did it have 5 successive losing trades? Did it have 7 successive winning trades? That way in the heat of battle and your system has just given you 5 successive losers you know there is nothing wrong. Get a feel for how it reacts in certain market cycles. Every system acts better in certain market conditions than in others.
- * Develop a plan. (re-read section 2) Try to accommodate for every possibility.
- * Keep observing the charts. I am not a great believer in paper trading in order to find how much progress you have made in trading. Simply because you have no emotions whilst playing games and it is controlling emotions that separates the winners from the losers.

But what I am a great believer in is playing simulation games so as to get a feel for how money management plays such an important role and for you to get a feel for how any game of chance can and will have streaks.

This is what i do from time to time.

Get a hat or jar and place 100 marbles inside. I paint the winners blue and the losers red. I paint a HR (home run >10 * Risk gain) on just four of those marbles and I paint a BL (big loss >4 * risk) on four of them. All the rest are either 4 * Risk gains or 1 * risk losses. Here's the interesting part. Start risking different dollar amounts on each trade and see the difference in your results after 100 trades. This should really hammer home the importance of money management.

Firstly, say you start with a \$10,000 account risk just 2,5% on each trade. Therefore, risk per one trade is \$250 or $R = \$250$. If you draw a losing marble your account is debited \$250. If you draw a winning marble your account is credited by $4 * \$250 = \$1,000$. If you hit a "Home Run" then your account is credited by $10 * R = \$2,500$. On the other hand if you hit a "big loss" trade then you are debited by \$1,000.

Put the effort in and give this a try. You'll be amazed at the difference position sizing can have on your account after 100 trades. You'll see even in a 50/50 you run into streaks of winners and losers. Having 5 successive winners and losers is quite common. Not only that try to imagine your-self trading this system. How are you going to be feeling after taking 5 successive losses? Will you be feeling something is wrong. What happens if you risk \$500 per trade and you start off with a "big loser"? That's a \$2,000 loss. Can you come back from this? Be pro-active and play around with the figures it's a great simulation.

* If you feel comfortable trading make a trade.

The whole point of trading is to follow your rules. Making or losing money is not the important point. Trade with such a small amount it hardly seems worthwhile. What you want to know here is:

How do I react when my money is down?
Can I follow my rules?
Is my system working in the long run?

Year 3

You should have your own system that fits you and starting to take small gains out of the market. If you still find your-self lacking the discipline to follow the signals ask why? Keep playing the simulation game as though it was your system and see why taking four or five successive losing trades is acceptable as long as you can manage the risk.

Year 4

By now, if you are still trading, you should be pulling consistent profits from the market and know your-self well enough to continue learning.

Consider learning to trade like taking a degree in the stock market. Are you willing to sacrifice 4 years in order to learn the trade? If not, then walk away now. If you are then get to it.

If you want to be a top trader there's a lot of work involved.

Don't be fooled by all the trade magazines saying you can pull 100% out of the markets year in and year out with no effort. It isn't going to happen. But if you really do keep working at it the rewards can be amazing.

5. Positive Self- Belief:

" All truly wise thoughts have been thought already thousands of times; but to truly make them ours we must think them over again honestly, till they take root in our personal experience."

- Goethe

Iron clad belief not only in the system you are trading but also in your discipline to execute both entry and exits flawlessly are essential to your success in trading.

The top traders know it is the discipline displayed in following their rules that is the important thing in trading and the money rewards are secondary. For if you can not execute your signals, on both entry and exit, without question it takes just one mistake to give all those hard earned profits back to the market.

Positive self-belief is built from repetition after repetition of following your rules. Extensive back-testing of your system and constant self analysis.

You'll never be able to follow a system if you have a doubt in your mind. That's why so many people who buy other peoples systems fail. When that system goes through a losing period the person who purchased it will throw it away and search for the next system. Yet the trader who has rock solid belief will be aware that the system does display periods of losses. He's seen it all before and sits it out waiting for the conditions to become more favourable. When they do he gets back in and makes a ton more cash. The person who purchased the system in the meanwhile is now losing more money with the new system because that too has just come into a losing streak.

Only by doing the groundwork in section four will a trader have confidence in a system. You must strive to work through as much market data as is possible with any system so as to know what is normal and what isn't. This is why even the top famous traders have losing streaks and they never batter an eyelid. Every-one seems to be aware that George Soros is the greatest trader alive. The guy made billions in the 1980's and 1990's, yet he as also had some amazing losing periods. His fund has also lost billions and posted big negative returns. Did it bother him? He knew that his style of trading will go through losing periods. Just as dawn follows dusk, a losing period is usually followed by a winning period and vice -versa. Yet too many traders throw in the towel after taking a couple of successive losers. They are never around when the system kicks

into a big winning period.

What you believe is what you get. If you look at your problem areas you'll find they are rooted in faulty and limited beliefs. So if you are having problems with your trading results examine your beliefs about trading. If deep down you have negative feelings about trading, or making money or you lack complete confidence in either the system you are following or your-self then you have to stop trading and go back and find out why.

A person who is a compulsive gambler will never make it trading the markets. I'm sure when they lose a substantial amount of their capital then every-one else will be to blame, but deep down if they analyzed their beliefs about trading they would probably admit they see it as a big casino. If your beliefs about making money are negative then how can you expect to make money in stocks? I have heard of traders running accounts up to a ceiling figure, say \$1 million and then losing it all. They have repeated this several times before seeking help. Usually, it is found that some deep seated, negative belief about making a lot of money has caused them to push the self-destruct button. As Ed Seykota (very successful professional trader) says, every-one gets what they want from life. You'll find in trading you'll get what you want.

You have to ask your-self what are your beliefs about trading? Are you told continuously that trading is a no win game? It's a gamble? You can't win? Trend following doesn't work? etc... Do you believe any of it? Write down what you believe about trading. What kind of returns do you think are possible? How much time and effort do you believe you must put into a day's work to obtain a day's pay? When I first started trading I felt I needed to work hour after hour every day. I checked on the quotes continuously, phoned my broker, read reports, listened to the news, etc.. Why? Because I believed I had to put in hard work to receive pay. It took a long time to shake that belief out.

If you believe it's relatively simple to make 50% p.a from the stock market year in and year out, with very low risk and with just ten minutes work per day then good, because it's possible. Then this is what you'll work towards (I know many people will disagree but first ask whether these people are in a position to pass comment).

On the other hand, if you believe just working ten minutes per day for a wage is a lazy way to success and you feel uncomfortable with this then you will have to resolve this conflict before you can obtain these results.

Choose your beliefs wisely. In all problems with your trading you are both the problem and solution. The top traders know this. If they go through an extensive period of losers they'll start analyzing their beliefs. Looking inside and not out-side for the answers.