



(Editor's Note: It's interesting. One often thinks that the well-publicized trading gurus have some special brand of psychological "magic" that propels them to success. But, frankly, they all put their pants on one leg at a time. Sure, Linda is one of the "Market Wizards," but that doesn't mean that she hasn't experienced challenges like we all do. In this first-person account, she tells what mental wherewithal – and disciplines – it takes to keep from melting down and dropping out. These disciplines have made her successful and, if applied, will help you too.)

I have been a professional trader for 23 years and am quite sure that my experiences in this business parallel those of many, if not most professional traders. I experience both successes and failures and periods of both satisfaction and frustration. Like others, I have had to stretch and grow as markets and products have changed over the years. The markets *continually* cause me to reaffirm my values and reflect on my own self-identity, and even after all these years, I keep vigil against fear and doubt. Thankfully, I am blessed with the knowledge of how powerful a tool positive thinking can be and with the ability to implement this tool on a daily basis.

When the markets are closed, I divide my time equally between preparation for the next day, market research and working on my own mindset. Part of this includes reading a paragraph from a motivational book each night, by studying sports psychology or working on the physical elements, such as exercise, nutrition and diet that support my ability to concentrate and focus during the day.

I wish I could say there was a point where I felt like I had "arrived." More often than not, however, I feel as though I am not even close to reaching that point. I have come to accept the fact that this business is nothing more than a continual process to be taken one day at a time like so many other endeavors in life. For me, the term "trader" has become synonymous with "lifestyle."

I have learned that everything I do with my lifestyle to support the "trader" function equally supports a separate self. Much of it has to do with eliminating stress, anxiety and burnout. I have experienced all three of these many times in my career, and each time it affects my trading performance. My more stressful life experiences are not so different from many people's...death, divorce and taxes. I juggle many balls at once. I trade, run a business, have a responsibility for ten employees and am a single mom. I shoulder responsibilities as head of my household, and I maintain a large property. In addition, I strive to excel at outside interests and hobbies.

Stay in the Game by Beating Stress

I wish I could say that I was an extremely efficient person, but I am not. I dilly-dally and procrastinate with the best of them. However, I have become a master at beating stress and anxiety and dealing with the mental side of trading. I figure that if I can take care of this one particular area, the numbers will take care of themselves. This has worked for me each year and kept me in the game.

So, allow me to share some of my personal experiences, routines and rituals for handling some of the more challenging psychological aspects of trading. Sometimes traders can feel alone in their experiences – par-

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ticularly when stupid errors and large losses occur and during long, flat periods. Believe me, I have made every mistake in the book, have suffered through many sleepless nights and have had conversations with the higher powers that be. Through it all, I have never wanted to leave the trading business. I don't love trading and I don't hate it; it is just what I do. I love working.

Some people are lucky in knowing their game right away, and I am one of those people. I know the style of trading with which I feel comfortable. I will never be a long-term trend-follower and will never be one of those who will easily interpret fundamentals or long-term major trend changes on a macro level. I would never feel comfortable running a strictly mechanical system. And I do not want to trade in a way that depends totally on my reflexes. Remember that a trader can't begin to improve his game until he defines exactly which game he is playing. At this stage in my career, I know my abilities, my strengths and weaknesses. I try and exploit my strengths instead of becoming something I am not nor ever will be. This is what you should be trying to develop as well. Know thyself.

Positive Brainwashing

OK, knowing my game is helpful, but just because I know my game does not mean that I will be successful at it. There are numerous steps that must be taken outside of market hours in order to do well during the trading day. I can go through the motions of preparation, organization and outside research. But, I still do not think these are the things that guarantee success. The great equalizer for me is that I believe I will succeed. I have brainwashed myself on a daily basis into believing I will succeed, especially during periods when inevitable doubts have crept in. A positive mental attitude is a form of religion to me.

Doubt Kills Success

If a trader has a positive attitude, it allows him to believe that by focusing on the process – the results will take care of themselves. This involves an element of trust. Sometimes it is like diving off a high dive and knowing that if we follow correct form, we will hit the water just right and have a beautifully executed dive. What some people find hard to accept is that occasionally our form will be off, and it is going to hurt when hitting the water. If doubt or negative thoughts creep into my mind when I dive off that platform, I am doomed. I have so many tricks for eliminating the negative self-talk that the positive thinking has become purely habit.

Self-talk is the way that we speak to ourselves, and sometimes negative thoughts are very subtle. For example, if a trader says to him or herself, "I have to do well" or "I need to make X amount of dollars this month," this type of thinking automatically creates stress and anxiety. Anxiety causes emotional decision making during the trading day. Emotions invariably lead to losing trades.

The First Step Is Awareness

Eliminating negative thoughts is a process. First, become aware of when you are thinking negatively, and recognize that you can choose to *refocus* your thinking pattern. Simply rephrasing "I have to do well" into "I can do well" is a step in the right direction. The first phrase places demands upon performance, while the second phrase emphasizes confidence in your abilities.

Second, interrupt mental thoughts by changing your physical state. Clap your hands, snap your fingers or stand up out of your chair.

Third, refocus your thoughts on the process at hand in order to replace worry, doubt or anxiety. "I can trust myself to make the right decisions today." "I can take advantage of the opportunities as they unfold throughout the trading week."

These processes seem simple enough, maybe even intuitive, yet they are probably not as intuitive as one might believe. Positive thinking is something that takes practice.

I cannot emphasize strongly enough how important the power of positive thinking has been in my own trading career. It has allowed me to take every fiasco that has happened in the market place and convert it into a learning experience. I tell myself that what has happened occurred for a reason; then, I must find a way to convert, just as in a sport. Consider the tennis player who goes on a losing streak during a match and drops six games in a row. Things are looking rather bleak to the spectators. However, the player manages to pull off a winning shot or a killer serve. And sometimes the other player makes an unforced error. Top athletes will seize one small victory and convert that momentum to their favor. This happens in team sports as well, such as football, where a turnover provides a new burst of momentum that carries the formerly losing team to a win.

See the Positive Viewpoint

It is no different in trading. Reframe the negative experiences into positive ones, and find a way to learn from them. For every mistake I make, I tell myself that it is a good thing that it happened now so I could learn from it...instead of when I am trading even larger size in the future. I thank the market for bringing any of my weaknesses to my attention so I can learn and improve. If market conditions change or the environment stops favoring my game, I tell myself that this is a great opportunity to do research and find new techniques. All of my best research has come following a drawdown.

There is a fine line between "working hard" and burnout. I have learned the hard way about setting boundaries and defining my limits. In the past, I chose not to acknowledge that I had any limits, and the result was a major compromise of my immune system. It is better to recognize when it is time to step back a bit, instead of waiting for deteriorating health to take its toll or being faced with a major trading loss. Most traders know when they are making mistakes. But, when a trader is burned out, he or she is not able to react properly to correct mistakes. It is almost as if the subconscious is saying – "This loss is going to get so big that it is going to force you to take a break from the markets."

Aside from the physical symptoms that can indicate burnout, other signs include increased irritability and anxiety, forgetfulness and inability to concentrate. A trader is more likely to take greater risks when burned out. Procrastination, fatigue, neglecting to do the proper preparation the night before, or basically turning a blind eye towards current position is often the next stage. When someone is burned out, they are likely to increase their consumption of coffee, cola or alcohol. Ultimately, burnout can lead to thoughts of "throwing in the towel" – quitting the business altogether or chronic depression.

Practice Common Sense

The main strategy for avoiding burnout is to lead a healthy and balanced lifestyle. This can include daily exercise, proper nutrition, outside hobbies or activities, periodic vacations or even taking just one day on the weekend to go on a “field trip” and enjoy a change of scenery. Educational strategies include attending workshops or seminars, joining a professional organization, reading trade journals or books on sports psychology or motivational subjects.

Sometimes changes to the work environment – something as simple as rearranging the office – can make a difference. Finally, some type of support system is important – a close friend, fellow trader or counselor in whom you can confide. Each time I have had a particularly challenging period, I feel better after confiding my situation to a friend or fellow trader. After all, we all have similar experiences at one time or another. Losses and errors are part of the game. Talking about them with others helps us put our normal human weaknesses in their proper perspective and allows us to move on.

The Three R's

Let me leave you with the three “R's” I use as a way of maintaining a mindset and keeping focused: record keeping, rituals and research.

Record keeping is the departure point that carries an endeavor beyond just being a “hobby” to taking the next step towards “professional” status. At the end of each day, I log statistics such as breadth, volume, trin and put/call ratios to name just a few. I have been doing this since the first day I started trading. Once upon a time, I updated charts by hand each night because the charting software we have now did not exist. For the past 15 years, I have logged by hand the closing price of 25 different markets, in addition to momentum readings and a few other notations. If I do not log my numbers at night, I do not trade as well the next day.

During the day, each trade is written down along with the ticket number, times executed and fill prices, along with the name of the executing broker. This is essential for reconciling any outrades the next day and ultimately can save a great deal of time when an error does occur. I also write down my available trading capital each day along with current open positions.

When using electronic platforms, never take it for granted that the trades will hit up correctly the next day. The platform that I use keeps an accurate log of all trades I make, so I do not actually write these down, but save the log files instead.

Compared with many other businesses, trading and markets can seem a somewhat abstract arena. Activities such as record keeping help me feel more productive and in control of my business.

As much record keeping as I do, I do *not* keep statistics on my trading performance, such as win/loss ratios, average-win and average-loss. I find that this will become a source of anxiety or stress to me. Instead, I monitor my equity curve and how I am doing on a month-to-month basis instead of on a day-to-day basis. Why? Sometimes it's easy to get too excited about looking at the net profit after a large winning day. Large wins can do just as much to tamper with an even mindset as large losses.

Routines and rituals are excellent tools for eliminating emotions – especially those in the doubt, fear and anxiety category. Though I personally do not have any particularly titillating rituals to share, I find that writing things down is particularly helpful for me. I write out my trading plan for the next day after the close each day. During the trad-

ing day, I will jot down swing highs and lows as they are made throughout the day. Years ago when I started out on the trading floor, I watched many of the better traders sketch out point-and-figure charts or swing charts by hand during the trading day.

Physical and mental routines are the key to building both confidence and consistency. I can't say enough about the importance of this area in my own business. It is not just the ability to concentrate, but also the focus of our concentration. It does no good to concentrate on the wrong things. Much of what I am doing during the day is simple observation. But I have a very specific routine and ritual for what and how I observe things during the day.

First, I concentrate on monitoring just *a few* relationships. Though I have built up my ability to process a large amount of information, I am still subject to “brain-fry” like everyone else. If I try to do too much or trade too many markets at one time, I am asking for trouble. I have specific times of the day when I note certain relationships. I have a limited universe of stocks that I watch. I have three main patterns that I watch for in the cash commodity markets. So, in this regard, I am a classic tape reader, lying in wait for my particular technical conditions or market cues. This is my market routine; you may have another that suits you better.

Outside of market routines, there are personal life routines. For example, I try to wake up at the same time every morning, take my nutritional supplements and eat the same breakfast. This helps me get into the zone or on autopilot before the markets open. These mental and physical routines help me maintain my concentration and keep my mind from wandering. If they are broken during the day, it's easy to become vulnerable. I continually guard against outside distractions and subscribe to the philosophy that anything that *can* be handled at the end of the day has to wait until then.

Still, unforeseen things will always happen during the day to any trader, no matter how dedicated he or she is to keeping the “noise” out. One day, a neighbor decided to transplant some huge ficus trees in front of his house. A giant digging machine with a claw that had a radius of ten feet sunk deep into the ground and pulled up all the neighborhood phone lines, including our T1s. It took 24 hours to fix. These things are guaranteed to happen whenever you have your largest positions on, and it happens to each of us.

By the way, at the end of each day, I consider my number logging to be just one more essential ritual to help me forget about any unfavorable events that occurred during the day, whether it's the ficus transplant disruption or an unforeseen family emergency.

The Third “R” – Research

Research is an integral part of my business, and as a trader it should be an important part of yours, too. Research is a process that never ends. I strongly believe that if I do my own research, I will always have an edge over someone who does not.

Research is important, even if a trader already has a successful method of trading. Anyone who has been in the markets for a while will attest to the fact that market relationships can and very often do change. Thus, research gives me confidence that there is an edge to my approach to trading. I continuously update my research to keep that confidence level high. Research constantly reminds me that trading is a game of probabilities and averages and shows all of the ways that a signal or pattern can fail.

Please remember, research should never be done to validate a personal

bias. This type of research too often draws conclusions based on a limited sample size and will usually break down over time. I place very little value on research results generated on a sample size of less than 200 occurrences.

Pat Yourself on the Back

Each day that I trade, I constantly remind myself of how far I have come. It would be so easy for me to pick apart my own performance each day. Instead, I go out of my way to make note of the areas where I have improved.

Yes, old dogs have to learn new tricks. I look at how my skills in using electronic trading platforms have improved. For so many years, I simply picked up the phone and called down to the pits. The first two years that we started using an electronic platform, I simply could not execute profitably with them. My brain would short circuit with the extra steps required for placing an order. The only way I could trade was to have someone else in my office do the execution while I called out the orders. I felt pretty silly not being able to execute my own orders. I tried a number of different trading platforms before I found one with which I felt comfortable. There was definitely an educational process involved in figuring this out.

Keep Your Mind in the Game

Trading is really no different than most sports. I just try to stay in the game mentally. I know that my unforced errors decrease as my market preparation and experience level increases. I convert emotions or frustrations into research or better market preparation. I know my game and work on eliminating more marginal trades. I know that focusing on the process will help the outcome take care of itself. In the end, though – no matter if I work 40 hours a week or 70 hours or 100 – I will not be successful unless I believe in my ability to be successful. The power of positive thinking, teamed with hard work and proven routines, will always win out over doubts, fears, self-imposed pressures and marginal disciplines.

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*Linda Bradford Raschke has been a full-time, professional trader since 1981. She began as a floor trader and later started LBR Group, a professional money management firm. In addition to running successful programs as a CTA, she has been principal trader for several hedge funds and has run commercial hedging programs. Raschke was recognized in Jack Schwager's book, *The New Market Wizards*, and is well known for her book, *Street Smarts*. She is a frequent contributor to SFO and other*