

## WHY DID I DO THAT?!



When you enter the trading environment, you'll find that you are in a whole new world. If you haven't figured it out already, it is volatile, fast-paced, unforgiving, demanding, maybe even nonsensical. It is also exhilarating, addictive, challenging, stimulating, and definitely - at times - rewarding. What other work environment offers such a chaotic dynamic every 5 minutes? For the average trader, this environment is very conducive to doing things you never thought you would do; to questioning every single decision you made before, during and even after the decision was made; and to being more reactive than proactive with your decisions and actions.

That's why it takes a certain type of person, personality, character to be able to "tame the beast", if you will. If you don't, the beast will get the best of you which is exactly what we don't want to happen. How many of us have sat in the middle of a trade, done the unthinkable (e.g., continue to buy and add to a losing position); then turn around and ask yourself

"Why did I do that?!" I think we all have.

For some reason, there are times when all logic goes out the window when it comes to trading, but only if you allow it to. Keeping your emotions in check is one of several crucial components to successful trading. Other crucial components include creating a trading plan and developing a trading strategy. The most crucial component, though, might be having the discipline and focus to follow the plan as well as the control and calm to not only apply the strategy but to stick to it.

I was reading in a business publication several months ago about one of the most successful individuals trading today, I'll call him John. What I remember most about the article was John's control and calm in executing his strategy. Without getting into the minor details, he had been mentioning to colleagues that based on the information and data he had, a "certain something" was going to happen to Company A's stock.

Sure enough, it happened. If John had managed the trade "properly", his colleagues knew that he was in for a windfall, so they asked him how much money he made. "None", he responded. None? Nothing? Nada? How can that be? He explained that handling the trade that would have made him a large sum of money was simply not part of his strategy.

He chose logic over emotion, was sufficiently disciplined to follow his plan, and very much in control to stick to his strategy. This is a person who probably does not ask himself very often, "Why did I do that?!"

In order to get to this level of control and calm, you have to be confident in yourself and secure in the knowledge that you control and own your trading – not the other way around. You have to believe in and commit to your trading plan and trading strategy because if you don't, you will be asking yourself that dreaded question more often than you would like. I know it is easier said than done, but I believe that with the investment of ample time, effort, and energy, we can all aspire to be as successful a trader as is John.