

 Wiley Trading

# THE DAILY TRADING COACH

101 LESSONS FOR  
BECOMING YOUR OWN  
TRADING PSYCHOLOGIST



**BRETT N. STEENBARGER**



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# **The Daily Trading Coach**

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# The Daily Trading Coach

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*101 Lessons for Becoming Your  
Own Trading Psychologist*

**BRETT N. STEENBARGER**



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***Library of Congress Cataloging-in-Publication Data:***

Steenbarger, Brett N.

The daily trading coach : 101 lessons for becoming your own trading psychologist /  
Brett N. Steenbarger.

p. cm. – (Wiley trading series)

Includes index.

ISBN 978-0-470-39856-2 (cloth)

1. Stocks—Psychological aspects. 2. Speculation—Psychological aspects.  
3. Investments—Psychological aspects. 4. Self-help techniques. 5. Personal coaching.  
I. Title. II. Title: Becoming your own trading psychologist.

HG6041.S757 2009

332.6'4019—dc22

2008041524

Printed in the United States of America.

10 9 8 7 6 5 4 3 2 1

*What? A great man? I always see merely  
the play-actor of his own ideal.*

—Friedrich Nietzsche



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# Preface

**T**he goal of *The Daily Trading Coach* is to teach you as much as possible about coaching, so that you can mentor yourself to success in the financial markets. The key word in the title is “Daily.” This book is designed to be a resource that you can use every day to build upon strengths and overcome weaknesses.

After writing two books—*The Psychology of Trading* and *Enhancing Trader Performance*—and penning more than 1,800 posts for the *TraderFeed* blog ([www.traderfeed.blogspot.com/](http://www.traderfeed.blogspot.com/)), I thought I had pretty well covered the terrain of trading psychology. Now, just three years after the publication of the performance book, I’ve once again taken electronic pen to paper, completing a trading psychology trilogy by focusing on the *process* of coaching.

Two realities led to *The Daily Trading Coach*. First, a review of the traffic patterns on the *TraderFeed* blog revealed that a large number of readers—about a third—were accessing the site during the hour or so immediately prior to the market open. I found this interesting, as most of the posts do not offer specific trading advice. Rather, posts deal with topics of psychology and performance—ones that should be relevant at any hour of the day.

When I asked a group of trusted readers about this pattern, they responded that they were using the blog as a kind of surrogate trading coach. Reviewing the posts was their way of reminding themselves of their plans and intentions before going entering the financial battlefield. This was confirmed when I gathered statistics about the most popular (and commented upon) posts on the blog. The majority were practical posts dealing with trading psychology. Most were uplifting in content, even as they challenged the assumptions of readers. It seemed as though traders were looking for coaching and finding some measure of it in the blog.

The second reality shaping this book involves digital publication and the rapid changes sweeping the publishing world. To this point, relatively few electronic books (e-books) have been offered to traders. When those books are available, they are little more than screen versions of the print

text. Despite the allure and convenience of electronic publishing, few traders I consulted actually sought out or used e-books. The most common complaint among traders was that they did not want to spend hours devouring information in front of a screen after a full day of trading. I quickly realized that participants in the financial markets don't use the electronic medium in the same way that they engage print text. That led me to think about writing a different kind of book, one better suited to publishing's electronic frontier, but also useable in print.

When you overlay these two observations, you can appreciate the vision that led to this text: a *"trading coach in a book"* that can be as easily read on the screen as on paper. The goal was to integrate blog and book content by creating practical "lessons" that help traders become their own trading coaches. There are 101 lessons in *The Daily Trading Coach*, averaging several pages in length. Each lesson follows a general format, identifying a trading challenge, an approach to meeting that challenge, and a specific suggestion or assignment for working on the issue. The chapters are independent of one another: you can read them in order, or you can use the table of contents or index to read, each day, the lesson that most applies to your current trading. *Unlike a traditional book, the idea is not to read it through from front to back in a few sittings.* Rather, you take one lesson at a time and apply it to guide your development as a trader. Like the blog, it's an on-screen reminder of what to do when you're at your best, but—more than the blog—it's also a roadmap (and practical set of insights and tools) for discovering and implementing the best within you.

My ambition has been to pack into these 101 lessons more useable information and practical methods than might be found in any number of expensive seminars and coaching sessions, at far less expense. Too often, the goal of the seminar providers and coaches is to convert you into ongoing clients. The intent of this book is just the opposite: *to give you the tools to become your own coach*, so that you can guide your own professional and personal growth. In other words, this is a manual of *psychoeducation*: a how-to guide for improving yourself and your performance.

One thing I particularly like about the electronic format is that it enables a writer to link the book content to a vast array of material on the Web. I will be adding material to *The Daily Trading Coach* via a dedicated blog called *Become Your Own Trading Coach* ([www.becomeyourowntradingcoach.blogspot.com](http://www.becomeyourowntradingcoach.blogspot.com)), so that this book will grow over time. You will need only to click the e-book links to access free updated information and methods on the *Become Your Own Trading Coach* site. There is one master page on the blog for each chapter of this book containing the links relevant to that chapter's material. At the end of each chapter, there is also a resource page that alerts readers to further links and readings. I will be adding audio and video content to the new blog over time, which should be

particularly helpful for those who learn best by seeing and hearing ideas. Once publishing becomes electronic, there's no reason that every text can't be a multimedia learning experience.

You'll notice from the table of contents that each of the 10 chapters contains 10 lessons. Those chapters cover a range of topics relevant to trading psychology and trading performance, including specific lessons for utilizing psychodynamic, cognitive, and behavioral brief therapy methods to change problematic behavior patterns and instill new, positive ones. The final two chapters are especially unique: Chapter 9 consists of self-coaching perspectives from 18 successful trading professionals who share their work online. Chapter 10 fulfills a long-standing promise to *Trader-Feed* readers, walking traders through the basics of identifying historical patterns using Excel. Each lesson is accompanied by homework activities and suggestions ("Coaching Cues") to help with application of the ideas. Major ideas are set apart within the text for quick review and scanning. At the end of each chapter is a list of resources to guide your further inquiry into the book's topics and ideas.

Yes, the aim of the book is to help you become your own trading coach, but a glance at the chapter and lesson titles reveals that the broader purpose is to help you coach yourself through life. The challenges and uncertainties we face in trading—the pursuit of rewards in the face of risks—are just as present in careers and relationships as in markets. Techniques that help you master yourself as a trader will serve you well in any field of endeavor. *In that sense, the goal is not just to make money in the markets, it is to prosper in all of life's undertakings.* I will be gratified and honored if this book is a resource toward your own prosperity, in and out of financial markets.

BRETT STEENBARGER



# Acknowledgments

If, as the saying goes, it takes a village to raise a child, it takes a small army to write a book. The last lesson of the book is dedicated to my mother, Constance Steenbarger, who passed away last year. My deepest hope is that this book carries forward the nurturing spirit that she brought to her family and students.

If my mother represented nurturance in my life, my father, Jack Steenbarger, has embodied the virtues of hard work, achievement, and love of family. From the earliest days of my training as a psychologist, I have been fascinated by the psychology of exemplary achievement: what makes highly successful people tick. There's no question where that passionate interest originated, and it gives me the greatest of pleasure to acknowledge my father for that inspiration.

None of this would be possible, however, without the understanding, love, and support of my wife Margie. In 1984, I traded bachelorhood for a life with Margie and her family; to this day, it remains my one superlative trade. Twenty-five years later, I'm pleased to report we're still riding that trend, having taken no heat whatsoever!

I'm saddened, but happy at the same time, to be able to dedicate this book to the memory of my uncle, Arnold Rustin, MD, who also passed away during the year. A consummate teacher, Arnold represented everything I've admired and enjoyed in the world of academic medicine. It's the support of Arnold and his wife Rose, even amid their own challenges, which made the greatest impression on me, however. I hope their inspiration finds expression in this book.

Thanks, too, to Debi, Steve, Lea, Laura, Ed, Devon, and Macrae, the kids who aren't kids any more, but who have been remarkably understanding of my hours on the road meeting with traders and my even greater hours online, keeping up with a blog and dozens of e-mail and phone calls daily. I would not be so grounded without family, including my brother Marc and sister-in-law Lisa and our three feline friends: Gina, Ginger, and Mali.

To the traders and authors who contributed to Chapter 9, my deepest thanks and appreciation for your great work. You provide unparalleled

resources for developing traders. Acknowledgments are also due to those whose work has inspired my own: philosophers Ayn Rand, Brand Blanshard, Colin Wilson, and G. I. Gurdjieff; the many psychologists and researchers who have contributed to the brief therapy and positive psychology literatures; and the traders who were formative in my development: Victor Niederhoffer, Linda Raschke, Chuck McElveen, and the many hedge fund traders I've been privileged to work with in the past few years. My colleagues at Upstate Medical University have been inspirational and supportive throughout my second career; special thanks to Mantosh Dewan, MD; Roger Greenberg, PhD; and John Manring, MD.

This is also my opportunity for a shout-out to those who write and play the music that kept me company through the writing of this book: Edenbridge, Armin van Buuren, Ferry Corsten, CruXshadows, Assemblage 23, VNV Nation, and many others that you may discover on the *Become Your Own Trading Coach* blog.

Deepest thanks, as well, to the Wiley production staff and my fantastic and supportive editors, Pamela van Giessen, Kate Wood, and Emilie Herman. They've been tremendously helpful in bringing this book to life. My appreciation also goes out to the many readers of the blog, particularly those who have actively participated with their comments and insights. I hope this book contributes to your continued happiness and trading success.

# Introduction

**T**oo few of us are play-actors of our own ideals. We have strengths and talents, dreams and aspirations. But when we look hour-by-hour, day-by-day, not many of these ideals are concretely expressed. The days become months, then years, and—at some sad juncture—we look back on life and wonder where it went.

That could be you: the middle-age person looking back on how “I could’ve been a contender.” Or, you could live a different life script. You could become the actor of your ideals and live their realization.

If you’re thinking this is a strange introduction to a trading text, you’re right. This book doesn’t start with supply and demand, trading patterns, or money management. It begins with you and what you want from your life. Trading, in this context, is more than buying, selling, and hedging: it is a vehicle for self-mastery and development.

Every trader, whether he consciously identifies it or not, is an entrepreneur. Traders open their business and compete in a marketplace. They identify and pursue opportunity, even as they preserve their capital. Traders refine and expand their craft; they take calculated risks. As entrepreneurs, traders start with the premise that they bring value to the marketplace. Amid the inevitable disappointments and setbacks, the long hours and the limited resources, the risk and uncertainty, it can be difficult to sustain that optimism. It is so much easier than to keep one’s visions on a shelf and forego the daily efforts of enacting ideals.

Some traders, however, cannot shelve their aspirations. Like the moth, they’ll pursue distant lights even if it means an occasional singe. To those noble souls, I dedicate this book.

When I work with traders and portfolio managers at hedge funds, proprietary trading firms, and investment banks, I don’t tell them how to trade. Most of them trade strategies different from my own and know far more about their markets than I ever will. Rather, I figure out their strengths. I learn what these traders and managers do well and how they do it, and I help them build a career out of what they’re already good at. Just as fish cannot comprehend water, being immersed in it from birth, we typically

lack an appreciation of our personal assets. Each of us is a curious mixture of skills, talents, strengths, conflicts, and weaknesses. But just as a new business must capitalize on the strengths of its founders, a career in the markets crucially hinges on the assets—personal and monetary—of the trader. As a coach, my role is to take traders out of their psychological water and help them see what has been around them all along: the assets that can provide a lifetime of dividends.

Never has self-coaching been more important for traders. As I write this, we have witnessed levels of market volatility unseen in the post-World War II period. Price volatility brings potential opportunity, but also risk. Traders who could not step back, recognize unfolding developments, and make adjustments have lost significant money. Those who have used the crisis to step out of the trading water, limit risk, and find fresh opportunity are the ones who are poised to reap those career dividends.

The book you are reading is intended to be your companion in this trading journey. It is organized in 101 lessons. Each lesson outlines a challenge and proposes a specific exercise for moving yourself forward with respect to that challenge. The lessons are intended as meditations to begin your trading day—coaching communications to help you enact the best within you. Eventually, as you read and live these lessons, the coaching communications become your own self-talk. You begin by play-acting the book's ideals and end up living them and shaping them into your own. *You become your own trading psychologist.*

If reading a short passage each day and planting the right ideas into your forebrain helps you prioritize your life and trading goals—and if that in turn helps you make one less bad trade per week and take the one good one you would have otherwise missed—think of how you will personally and financially profit. But just as pills can't work when they stay in a bottle, no one learns from an unopened book. The first step in becoming your own trading psychologist is to set time aside for self-mentorship—every day, every week—because that's how behavior patterns turn into habits. The great individual is simply one who has made a habit of self-development.

So there they are, staring at you from the shelf across the room: Your ideals, all those things you've wanted to do in life. You look longingly toward the shelf, but you can't reach it from your comfortable chair. Yet you hold a book in your hands. Perhaps that book can make that chair just a little less comfortable, place the shelf just a bit closer.

You turn the page.

The next step is ours.

## CHAPTER 1

# Change

---

### *The Process and the Practice*

*The mind has exactly the same power as the hands;  
not merely to grasp the world, but to change it.*

—Colin Wilson

**Y**ou are reading this book because you want to coach yourself to greater success in the financial markets. But what is coaching? At the root of all coaching efforts is change. When you are your own trading coach, you are trying to effect changes in your thoughts, your feelings, and your behavior. Most of all, you are trying to change how you trade: how you identify and act upon patterns of risk and reward, supply and demand.

There is a rich literature regarding change, grounded in extensive psychological research and practice. If you understand how change occurs, you are better positioned to act as your own change agent. In this chapter, we will explore the research and practice of change and how you can best make use of its sometimes-surprising conclusions. *Coaching is about making change happen, not just letting it happen.* It's about making the commitment to being a change agent in your own life, your own trading.

First, however, let's learn about the process and practice of change.

## LESSON 1: DRAW ON EMOTION TO BECOME A CHANGE AGENT

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For some of us, the status quo is not enough. We experience glimpses into the person we're capable of being; we yearn to be more than we are in life's mundane moments.

That yearning starts with the notion of *change*. We desire changes in our lives. We adapt—we grow—by making the right kinds of changes. All too often, however, we feel stuck. We're doing the same things, making the same mistakes again and again. Do we wait for life to change us, or do we become agents of our own life changes?

The easy part is initiating a change process. The real challenge is *sustaining* change. How many times does an alcoholic take the initial steps toward sobriety, only to relapse? How often do we start diets and exercise programs, only to return to our slothful ways? If we focus on starting a change process, we leave ourselves unprepared for the next crucial steps: keeping the flame of change burning bright.

The flaw with most popular writings and practices in psychology and coaching is that they are designed to initiate change. These writings and practices leave people feeling good—until it becomes apparent that different efforts are needed to sustain change. Successful coaching doesn't just catalyze change: it turns change efforts into habit patterns that become second nature. The key to successful coaching is turning change into routine; making new behaviors become second nature.

That's where emotion comes in.

For years I had attempted—unsuccessfully—to sustain a weight loss program. Then, in the year 2000, I was diagnosed with Type II diabetes. My diet *had* to change; I needed to lose weight. If I didn't, I realized with crystal clarity, I could lose my health and let my wife and children down. Literally that same day I began a dietary regimen that continues to this day. My weight dropped 40 pounds (I shed the pounds so quickly that friends were concerned that I had a wasting illness) and I regained control of my blood sugar.

What was the catalyst for the change? Years of telling myself to eat differently, exercise more, and lose weight produced absolutely no results. A single emotional experience of the necessity for change, however, made all the difference. I didn't just *think* I needed to change: I *knew* it with every fiber of my being. I *felt* it.

So it is with traders.

Perhaps you've told yourself that you need to follow your rules, that you need to trade smaller, or that you should avoid trading during certain market conditions or times of day. Still you make the same mistakes, lose

money, and build frustration. Like my initial efforts at weight loss, your attempts at change fail *because they lack emotional force*.

Research into the process of successful versus unsuccessful therapy finds that emotional experience—not talk—powers change. No one ever felt valuable and lovable by standing in front of a mirror and reciting self-enhancing statements. The experience of a meaningful romantic relationship, however, yields the deepest of affirmations. Yes, you can tell yourself you're competent, but experiencing success in the face of challenge provides a lasting sense of efficacy. Pleasure, pain: nature hardwires us to internalize emotional experience so that we can pursue what enhances life and avoid what harms us. That ability to internalize our most powerful emotional experiences helps us to sustain the changes we initiate.

The enemy of change is relapse: falling back into old, unproductive ways of thinking and behaving. Without the momentum of emotion, relapse is the norm.

Are you going to work on yourself as a trader today? Are you going to use today as an opportunity to learn and develop yourself, regardless of the day's profitability? If so, you'll need a goal for the day. What are you going to work on: Building a strength? Correcting a weakness? Repeating something you did well yesterday? Avoiding one of yesterday's mistakes?

An important first step is to set the goal. We cannot succeed as change agents if we don't perceive a clear path from the person we are to the person we wish to become. A valuable second step is to write down the goal or talk out loud into a recorder. This step helps cement desired changes in your mind. But will the pursuit of your goal truly possess emotional force? Will it transform you from one who thinks about change to one who truly becomes a change agent?

*The secret to goal setting is providing your goals with emotional force.* If your goal is a want, you'll pursue it until the feeling of desire subsides. If your goal is a must-have—a burning need, like my dietary change—it becomes an organizing principle, a life focus. You won't become a better trader because you want to be. You will only coach yourself to success when self-improvement becomes your organizing principle: a must-have need.

Try this exercise. Before you start trading, seat yourself comfortably and enter into a nice slow rhythm of deep breathing. Imagine yourself—as vividly as you can—starting your trading day. Watch the market move on

the screen; watch yourself tracking the market, your day's trading ideas at your side. Then turn your goal for the day into part of your visualization: imagine yourself performing the actions that concretely put that goal into practice. If your goal is to control your position sizing, vividly imagine yourself entering orders at the proper size; if your goal is to enter long positions only after a pullback, imagine yourself patiently waiting for the pullback and then executing the trade. As you visualize yourself realizing your goal, recall the feeling of pride that comes from realizing one of your objectives. Bask in the glow of living up to one of your ideals. Let yourself feel proud of what you've accomplished.

*It's important not just to have goals, but also to directly experience yourself as capable of reaching those goals.* Psychologists call that self-efficacy. You are most likely to experience yourself as a success if you see yourself as successful and *feel* the joys of success. You don't need to imagine yourself making oodles of money; that's not realistic as a daily goal. But you can immerse yourself in images of reaching the goals of good trading and experience the feelings of self-control, mastery, and pride that come from enacting the best within you.

We are most likely to make and sustain changes when we perceive ourselves as efficacious: capable of making those changes.

Many traders only get to the point of self-coaching after they have experienced harrowing losses. The reason is similar to my experience with my diagnosis: it was the vivid fear of consequences—the intense *feeling* of not wanting to ruin my life—that drove my dietary change. Similarly, after traders lost a good deal of their capital, they never want to experience that again. They trade well, not because they talk themselves into discipline, but because they feel the emotional force of discipline's absence.

Contrary to the teachings of proponents of positive thinking, fear has its uses. Many an alcoholic maintains sobriety because of the fear of returning to the pain of drinking's consequences. Emotion sustains the change.

With guided imagery that you feel as well as see, you can create powerful emotional experiences—and catalyze change—every single day. That's when you become a change agent: one who sustains a process of transformation. The key is adding emotional force to your goals. Your assignment is to take those lifeless goals off the piece of paper in your journal and turn them into vivid, powerful movies that fill your mind. Try it with one goal, one movie in your head, before you start trading. It is not enough to set goals; *you must feel them to live them.*

**COACHING CUE**

To each of your goals, add an *or else* scenario. Vividly imagine the consequences of *not* sustaining your change. Relive in detail specific failure experiences that resulted from the faulty behavior you want to change. When you add an *or else* condition to your goal setting, you turn fear into motivation. The brain is wired to respond first and foremost to danger; you will not gravitate toward the wrong behaviors if you're emotionally connected to their danger. To this day, my diet is firmly in place. Fear has become my friend.

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**LESSON 2: PSYCHOLOGICAL VISIBILITY  
AND YOUR RELATIONSHIP WITH YOUR  
TRADING COACH**

If you are to be your own trading coach and guide your trading development, we have to make you the best coach you can possibly be. That means understanding what makes coaching work—and what will make it work for you.

*Research informs us that the most important ingredient in psychological change is the quality of the relationship between the helper and the person receiving help.* Techniques are important, but ultimately those techniques are channeled through a human relationship. Studies find that in successful counseling, helpers are experienced as warm, caring, and supportive. When helpers are seen as hostile or disinterested, change processes go nowhere. There's a good reason for this: relationships possess magic.

The magic of relationships is that they provide us with our most immediate experiences of visibility. I recently took a phone call from a reader of the *TraderFeed* blog. Many readers have provided valuable feedback about the blog, but this caller went far beyond that. He read every single post and then explained to me why he was drawn to the site. He put into words the very values that have led me to publish some 1,800 posts in the space of less than three years: *the vision that, in cultivating our trading, we develop ourselves in ways that ripple throughout our lives.*

At the end of that conversation, I felt understood: I was visible to another human being. When my mother died, I kept my composure until I approached her gravesite; then I lost it. My two children instinctively reached out to comfort me. It's something I would have done for another person in that situation. At that moment, I saw a bit of myself in my children. Once again, I was visible.

An unfulfilling relationship is one in which we feel invisible. We can feel invisible because we're misunderstood or mistreated. We feel invisible when the things that matter most to us find no recognition among others. I recall one particularly unfulfilling relationship with a woman. We were on the dance floor at a club and I suddenly stopped dancing altogether. She didn't notice at all. She was in her own world. It was a perfect metaphor for everything I was experiencing at the time: I was there as a kind of prop, a rationale for being on the dance floor. No one was really dancing with me. The profound, wrenching emptiness that I felt at that time was a turning point; never again would I settle for invisibility.

In Iggy Pop's classic song, invisibility is a kind of "Isolation." But if there's anything worse than being isolated—crying for love—when you're with someone, it's being isolated from yourself. We are truly lost when we're invisible to ourselves.

Many traders don't really know what they do best; they're invisible to themselves.

All of us have values, dreams, and ideals. How often, however, are these explicitly on our minds? To live mired in routine, day in and day out, estranged from the things that matter most to us: *that's a form of invisibility*. To compromise the things you love in the name of practicality, to settle for second best out of fear or convenience: those, too, leave us in isolation—from ourselves. Strange as it may seem, we spend much of our time invisible to ourselves. The day-to-day part of us dances away, oblivious to the other self, the one that thrives on purpose and meaning.

It's a real dilemma: How can we possibly coach ourselves to success if the very strengths that would bring us success are invisible to us? After all, the single best predictor of change is the quality of the helping relationship. What, then, is our relationship to ourselves? If we are to be our own trading coaches, the success of our efforts rests on our ability to sustain visibility and draw on the magic of a fulfilling relationship with ourselves.

To coach ourselves successfully, we must be visible to ourselves and sustain the vision of who we are and what we value. But how can we do that? There's a simple strategy that can build a positive, visible relationship with your inner trading coach: identify a single trading strength to express as a goal for the coming day's trading.

One way I do that when I coach others (and when I work on my own trading) is to ask traders to identify what they did best in yesterday's trading that they want to continue today. *Set a positive goal, based on strengths, to keep you in touch with the best within you*. It affirms your competencies and keeps these visible, even during challenging market times. Too many of our goals are negative: we declare that we won't do

X or that we'll do less of Y. Instead, frame a goal for today that says: "Here is what I'm good at, here's what I did best yesterday, and here's how I'm going to make use of that strength today."

Trading goals should reflect trading strengths.

In the relationship between you the trader and you the coach, the quality of the relationship will play an important role in your development. *The best relationship is achieved when goals are linked to values and express distinctive strengths.* Relentlessly identify, repeat, and expand what you do best—even (and especially) after the worst of trading days. Only through repetition can we turn positive behaviors into habit patterns. When you are in the habit of identifying and building strengths, you will then be truly visible to you. The magic of that relationship—and the confidence it brings—will sustain you through the most challenging times.



#### COACHING CUE

Review the last week's entries in your trading journal. Count the number of positive, encouraging phrases in your writings and the number of negative, critical ones. If the ratio of positive to negative messages is less than one, you know you aren't sustaining a healthy relationship with your inner coach. And if you're not keeping a journal, your coach is silent. What sort of relationship is that?

### LESSON 3: MAKE FRIENDS WITH YOUR WEAKNESS

The notion of change is a challenge and a trap. It challenges us to aspire to more than who we are, but it can also trap us in self-division. When we entertain the notion of change, we divide ourselves into qualities we like and those we don't. We parcel ourselves into strengths and weaknesses, good and bad, acceptable and unacceptable.

Once we make such a division, it is only natural to embrace the good and avoid the bad. We dismiss our shortcomings as mistakes, bad luck, or exceptions. That helps us identify with a partial image of ourselves and keep our frailties from our conscious awareness. Thus banished from the front of our minds, those frailties cannot guide our learning. *We do not sustain the motivation to grow, because we only contact the parts of ourselves that are relatively whole.*

Suppose I manage a position poorly because of frustration and I exceed my loss limit on the trade, leaving me in the red for the day. I finish flat

for the week, however, and instead focus on that fact. The loss is soon forgotten. It doesn't bother me, but I also don't learn from it. The next time frustration hits, I repeat my earlier behavior and lose even more money. Disgusted, I decide to take a break from the markets and come back with a positive mindset. In reality, however, I merely return in denial, once again banishing the losses from my mind. Eventually those trading shortcomings catch up to us, forcing us to face them squarely.

Such self-division is often maintained with the fiction of positive thinking. By focusing on positive thoughts, we don't have to think about what we've done wrong; we don't have to achieve contact with the parts of ourselves we don't like. We become like rooms where the clutter is increasingly swept under the rug. Eventually our rooms bulge with mental clutter, making them uninhabitable.

The motivation for much positive thinking is a denial of weakness.

Our daughter Devon was born with a “strawberry” beside her nose: a hemangioma that was a bright red bump on her skin. We were told that it would eventually recede on its own, that no surgery was needed. During her early years, however, baby Devon had a large red mark on her face. We could have put a patch over the mark or insisted on surgery, but we didn't. It was *her* mark, and it was part of what made her who she was. When you love someone, even her personal blemishes become endearing. Before I was a parent, I used to wonder how I'd tolerate changing dirty diapers. When the time came, I actually enjoyed it. It was something I was doing with and for my child. The changing of the diaper became an opportunity for bonding.

So it should be when we deal with our own dirty diapers. Your weaknesses are part of you; someone who loves you will love the whole package, frailties and all. *And if you love yourself, you can reach that point of acceptance in which you are fully aware of your shortcomings and appreciate your very humanness.* Indeed, as with the diapers, those shortcomings become opportunities—to reach out to yourself and guide your own development. For the longest time, I was unsure of myself in social situations and avoided most of them. Then, in a college dorm party I pushed myself to organize, I noticed a few people standing around not talking with others. In a flash, I saw myself in them. I made a beeline for the stragglers, included them in the gathering, and introduced them around. Ever since, I've been able to reach out to that reticence in myself and use it as a prod to engage others. My development occurred not through positive thinking, but through an embrace of my vulnerability.

Have you lost money recently? Have your trading weaknesses cost you money and opportunity? Consider embracing your flaws: every losing trade