

"The Warrior's Discipline of Trading."

This article is based on an idea from Technical Analysis of Stocks & Commodities magazine by McCall, in December 1994 titled, "The Warrior's Discipline of Trading."

We can learn much about handling the stress of trading by examining how the Samurai coped with battle. McCall created an acronym called ACTION to define a six point plan, based on the samurai methodology.

A "Accept all possible losses before entering the battle." McCall says that the samurai accepted death as a possible outcome of battle. That gave them the confidence to act boldly, without self-doubt. If you know you are going to die, you might as well go down fighting. Recognize and accept that each trade could be a losing one, and plan accordingly. That will give you the confidence to make the proper choices.

C "Center yourself in mind, body and spirit." McCall explains that deep breathing exercises tend to calm the nerves and may help overcome excessive excitement or fear. I do that before a radio interview to help calm me down. If I don't pass out from hyperventilating, then I'm good-to-go.

T "Trust your inner skills and intuition." Often I find a voice telling me to exit a trade because price will turn down. When I act on those instructions, I do well. Ignoring them or second guessing them and my trading suffers.

McCall says that you not only have to trust the tools you use but also your intuition. If you mistrust your system, then tear it apart and explore how it works until you understand and trust it. If the system is suffering bad results, then perhaps it is time for a tune up. Do what it takes to make sure that the tools you use are working properly. Include yourself in the mix. If you cannot hear that voice talking (intuition) then paper trade until you do.

I "Imagine victory clearly." This is a recurring theme in many psychological articles that I have read. Another way to express it is to think positively. Imagine a positive outcome and that is what you will get. Sure, it may take three years of losses before you win, but keep hoping and keep trying.

Knowing that the trade is going to be a loss not only makes you unhappy, but you may find yourself sabotaging your potentially profitable trades as well. If you believe that this trade will end in a loss, then get out or don't get into it in the first place.

O "Only exist in the present to conquer fear." McCall says that fear leads to over-analyzing, something I didn't know but is probably true. This second guessing plays havoc on your finely tuned system. Have confidence in your skills and tools and that will diminish the self-doubt, hesitation, and impulsive behavior that makes trading so difficult.

Focus on the trade as it unfolds, not on what might or might not happen. You cannot control what will happen, but you can have the confidence to handle what is happening. I guess it is a lot like the fear of flying. If you concentrate on yourself being spam in a can, then your goose is cooked (to mix a metaphor). Focus on the good ending, that after the plane crashes, your ex-spouse won't get a dime from your estate!

"**N**ever stop a course of action once you have begun." Again, this is a recurring theme. Successful traders love to complete projects. If you have the courage to enter a trade, then play the tape to the end. Plan your trade (and you do have a plan, don't you?) and trade your plan. If you have doubts about a trade at the start, then don't trade. Just don't use that as an excuse to avoid trading. Know that this trade will be the big winner you have been waiting for, and then let it happen.

Those are the six maxims of a samurai and how they can improve your trading. Be prepared for losses. Remain calm when trading. Trust yourself and your tools. Imagine a winning trade. Focus on the trade and not what may happen. See the trade to completion. Focus not on the money but on how well you traded, and you will become a successful trader.

-- Thomas Bulkowski