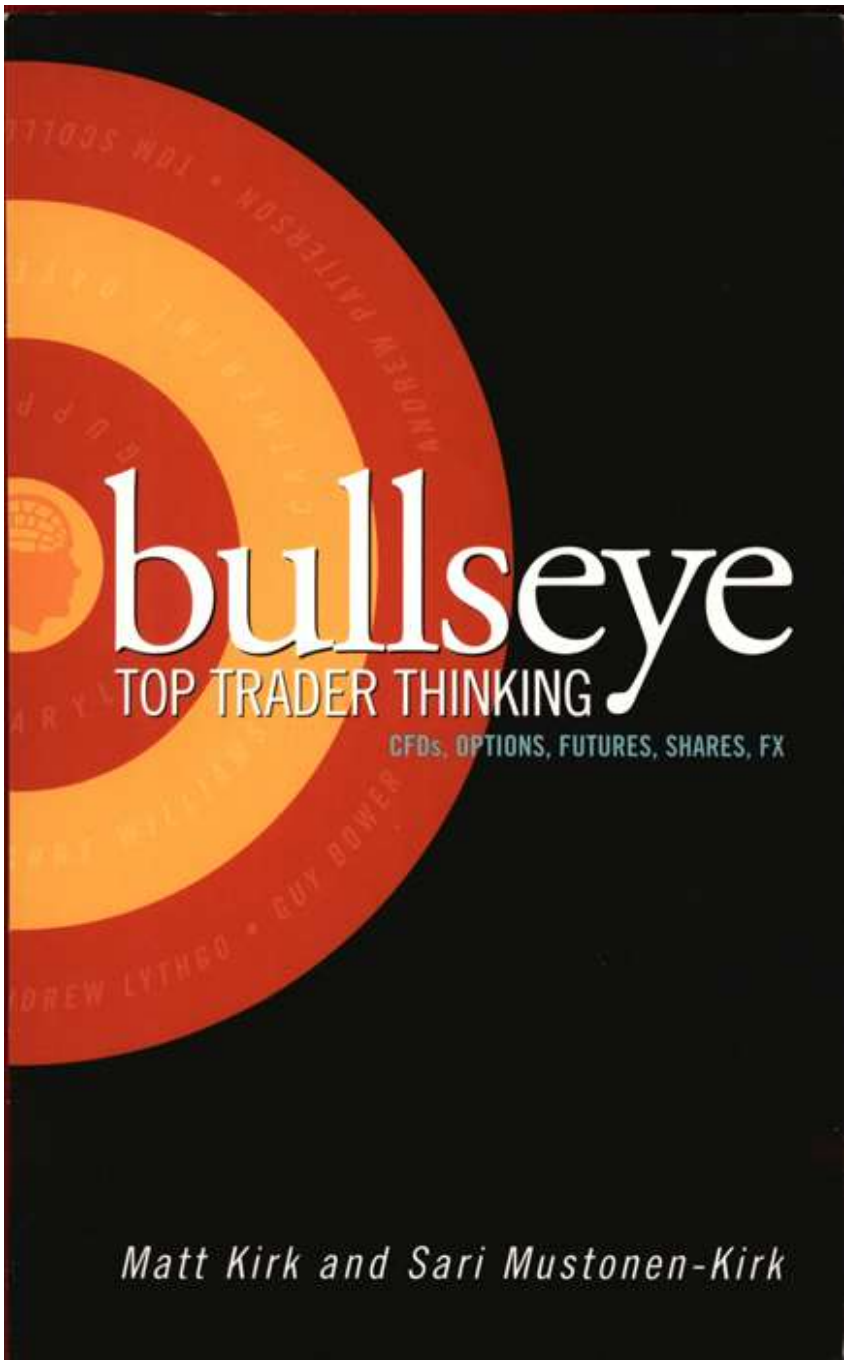
bullseye
TOP TRADER THINKING
CFDs, OPTIONS, FUTURES, SHARES, FX
Matt Kirk and Sari Mustonen-Kirk

This is an excerpt from the book Bullseye: Top Trading Thinking. For the complete book visit:

www.MasterClassTrader.com

MASTERCLASS TRADER

bullseye

TOP TRADER THINKING

CFDs, OPTIONS, FUTURES, SHARES, FX

Matt Kirk and Sari Mustonen-Kirk

Wrightbooks

First published 2006 by Wrightbooks an imprint of John Wiley & Sons Australia, Ltd

42 McDougall Street, Milton Qld 4064

Offices also in Sydney and Melbourne

Typeset in Berkeley LT 11/13.2 pt

© Matt Kirk and Sari Mustonen-Kirk 2006

The moral rights of the authors have been asserted

National Library of Australia

Cataloguing-in-Publication data:

Kirk, Matt.

Bullseye: top trader thinking.

Includes index.

ISBN 0 7314 0004 6.

1. Stocks. 2. Investment analysis. 3. Speculation. 4. Finance, Personal.

I. Mustonen-Kirk, Sari. II. Title.

332.6

All rights reserved. Except as permitted under the *Australian Copyright Act 1968* (for example, a fair dealing for the purposes of study, research, criticism or review), no part of this book may be reproduced, stored in a retrieval system, communicated or transmitted in any form or by any means without prior written permission. All inquiries should be made to the publisher at the address above.

Cover design by Rob Cowpe

Author photos © Justine Townsend

Printed in Australia by Griffin Press

10 9 8 7 6 5 4 3 2 1

Disclaimer

The material in this publication is of the nature of general comment only, and does not represent professional advice. It is not intended to provide specific guidance for particular circumstances and it should not be relied on as the basis for any decision to take action or not take action on any matter which it covers. Readers should obtain professional advice where appropriate, before making any such decision. To the maximum extent permitted by law, the authors and publisher disclaim all responsibility and liability to any person, arising directly or indirectly from any person taking or not taking action based upon the information in this publication.

Contents

Introduction
Meet the panel
1. Markets and products in the noughties
2. I wanna be a trader! — The power of purpose
3. Trader's inventory — realistic beginnings
4. The importance of fit
5. Systems — create or buy?
6. A world of resources
7. Psychology versus emotion
8. Universal blocks — the success thieves
9. The dynamics of change
10. Big picture thinking
11. Setting and achieving goals
12. Final thoughts
13. Index

You must have long-term goals to keep you from being frustrated by short-term failures.

Charles C. Noble

Generally, people talk to themselves in a negative way, so much so that the majority of their inner dialogue could be about their fears, worries, the people they're angry with, problems, concerns and imagined obstacles blocking their path to success. If this sounds like you, stop for a moment during the day and consciously examine the conversations you've been having with yourself. What messages are you playing on 'Radio-Me' over and over again?

You are your words

One of the first steps to creating success (and one of the most challenging) is to keep your inner dialogue and the words you say consistent with what you wish to achieve. Much has been written on this subject from people as diverse as motivators like Tony Robbins through to spiritual teachers. The words, 'I can do it', can be an effective antidote to the fear of failure. Fear of failure, or fear of looking like a goose, is often the biggie that holds people back from even starting anything, let alone trying to make a go of it. Repeating, 'I can do it' (or any other empowering statement that works for you) over and over whenever you feel fearful or doubtful is an effective weapon to slay those doubt and fear dragons dead in their tracks.

Say very enthusiastically to yourself, 'I can do it, I can do it, I can do it!' and when you do you will drive that message deep into your subconscious. Positive self-talk lowers fears and builds self-confidence. In the case of trading (and depending on the size of your goals) you could use 'I make a million. I make a million' or how about 'I am a top trader' or 'I'm the best.

I'm the best'? Impress those messages into your subconscious whenever your thoughts turn to trading. Making any positive statement makes you feel good about yourself and causes you to be more motivated; your focus and determination increase as you seek to prove your statements true. Wealthy, successful people have a continuous positive inner dialogue that is also constructive, uplifting and consistent with their goals and objectives. They know the power of their words and never get sucked in to the, 'I'm stupid, I'm hopeless, I can't do it' ways of thinking. Feed your mind from morning to night with words, pictures, information and ideas consistent with your goals for trading success. Develop the habit of thinking positively and confidently about your trading. Read biographies, books and articles about other successful traders and imagine the ways you are like them. Visualise, imagine, fantasise and pretend in your mind you are like the kind of people, and the top traders, you admire and respect and want to be like. You can even go so far as to write yourself a personal vision statement for your life based on the answers you came up with in the previous chapter. In short, start to act as if you were already living that life.

Put yourself on a new mental diet for trading success. First, repeat over and over again, 'I can do it! I can do it! I can do it!' whenever you think about any new trading goal or opportunity, to build your self-confidence and condition you for success. Secondly, monitor your mental diet the way you would your physical diet and make sure you only feed yourself throughout the day with positive words, pictures and conversations about the things you want to have in your life. Refuse to read, watch, listen to or discuss negative or depressing issues. This will make a tremendous difference to how you feel and how you act. Don't get sucked into commiserating with other traders about how you stuffed up, the opportunities you didn't take, or the losses you've suffered. Chalk those up to experience, see them as stepping stones not obstacles, train your brain to focus only on all the reasons why you are already successful.

A parable comes to mind in which a little boy asks his grandfather about what controls a person's behaviour. The wise grandfather replies that inside everyone are two wolves — one born of love and the other born of fear. Confused, the little boy asks which one is in control. The grandfather replies, The one I feed the most!'

Positive affirmations are one thing, but actions speak louder than words. True, we believe in the magic of metaphysics; however, the definition of success is preparation meeting with opportunity. Read everything you can find about trading and the markets and products you've chosen to trade. Become an expert. The more you learn about trading, the more confident you'll be that you can do it and do it brilliantly.

There are many different ideas on how to set and achieve goals and, as with everything in *Bullseye,* what works for you, may not work for others. It's all about fit, remember? Below are the panel members' views on a variety of different tools.

Sari: Without getting too esoteric, much of our work draws from the power of the mind to create tangible outcomes. Do you employ any of the following techniques to assist with your trading or investing success?

- **Creative visualisation**

- **Meditation**
- **Mental rehearsal**
- **Journaling (for example, keeping a trading diary)**
- **Goal setting**
- **Affirmations**
- **Any others not mentioned here?**

Larry: I tried all that years ago and see no place for it. It's about the markets, not me.

Andrew L: None.

Guy: I've done all of those at one time or another and the only thing I believe in is goal setting and proper planning both from a personal and business management perspective.

On almost every Monday for the last 12 or so years, I have what I call my WPM or Weekly Planning Meeting. I sit down, all by myself, and plan the week. It takes about 30 minutes. When I plan and execute, things go well for me. When I miss 'meetings' or don't follow the plan, things suck.

Catherine: All of these, but not necessarily every day.

Andrew P: Yes, creative visualisation, journaling and goal setting. Sometimes I use meditation.

Tom: I work at staying calm. I work at creating a calm atmosphere — cleared desk, flowers on the desk, fish bowl, sometimes [I] burn naturopathic oils, [play] peaceful music, generally classical, no phone calls — it is a generally peaceful process. I also do set goals — generally medium term.

[And] I avoid being negative in any way.

Daryl: Sometimes with creative visualisations. Always with journaling.

Sari: If you have used, or do currently use, any of the above techniques, how successful have you found them to be?

Larry: Hit and miss. It's all about taking the right action. You cannot just affirm your way to market success. You have to learn what is right and what is not, what works and what does not.

Andrew L: N/A.

Guy: I have found goal-setting and planning to be extremely helpful and would recommend them to anyone. The trick is to regularly review your goals (and, of course, the plan you have) to make it happen.

Catherine: I usually rely on them more heavily when I am losing money. If I were more disciplined I would be doing them every day.

Andrew P: I have found goal-setting and journaling to be very effective. I like to set trading goals for myself each month as well as maintaining a written journal of my trades ... why I took them, what my exit strategy is. I also keep a book where I record my mistakes ... being too impatient seems to crop up frequently!

Tom: The calm, peaceful, interruption-free, structured environment definitely works for me — could not do it any other way.

Daryl: Maintaining a trading journal is essential because it is a planning and analytical tool. The most important factor is to remain mentally flexible so you can recognise and adapt to change quickly. Reading, being involved in education and producing several weekly newsletters are all part of that process.

Sari: What, if any, impact do you think any of the above techniques have on trading or investing success?

Larry: [They have] hindered me. Had me put energy on that stuff instead of the markets.

Andrew L: If it fits your personality, do it. If it doesn't, don't try to pretend it does.

Guy: The process of planning has had a significant impact on my trading. If you don't set goals and have a plan for achieving them, then any success will be luck.

Catherine: I think all these techniques allow more inner guidance to manifest — they help hone your intuition by aligning your subconscious or your will with your conscious or mental goals.

Andrew P: They improve your discipline and provide a reference point for your trading.

Tom: The analytical process has to be performed with total clarity and be devoid of subjectivity. The environment I create, while not meditation as such, creates a meditative atmosphere.

Daryl: Mental flexibility is essential. Trading is not about becoming competent in a set of skills and then applying them to an unchanging situation. The markets change all the time. They have common themes, but specific and changing solutions. Mental flexibility is the essential ingredient for trading success.

Even though the panel members had mixed opinions on what works and what doesn't, one thing is clear, you can't just think your way to trading success. You must be willing to put the work in. Also, actions speak louder than words and no matter what you're reading, no matter how spiritual or metaphysical in nature, you'll find the underlying message is always that you should do something constructive to prepare you for the success you seek. Just a note here — doing something constructive does not necessarily have to be always directly related to trading. You could learn to relax better (as this is the peak state for making effective decisions) or you could get fit so you have more stamina, or you could get your filing system

in order so you're more organised. Whatever — just keep taking small steps in the direction of your dreams.

We've covered the importance of the right mental diet, having a bigger picture purpose for your trading and, obviously, finding a system, markets and products to trade that fit with who you are. Assuming you've got all of this sorted out in your head, the final step is setting and achieving realistic goals. Humans are quite forgetful creatures and this is the root cause of what incessantly seems to play havoc with a smooth progression towards goals. We're not talking about being mentally remiss in terms of the daily detail. We are referring here to the big picture stuff, the stuff of dreams and life. You've been talking, dreaming and planning your future for so long, then you're suddenly in it. The funny thing is how seemingly easily it all comes together when the time is right — provided you've put in the background work.

Throughout *Bullseye* we've talked about being realistic. An excellent place to start is looking at your trading in terms of overall percentage return, not how many dollars you wish to make. For example, one of Matt's clients called the other day in a bit of a panic and said he, 'just had to make $60000 within the next six months' to make his trading viable. When Matt did a quick calculation on this particular client's account size, the percentage return required was 500 per cent! Now, anyone in the industry will tell you that if you can return 500 per cent in six months you'll have investors all over the world lining up to give you money. By looking at the dollar amount and not the percentage return you're setting yourself up for trouble.

How many people really use a diary, and use it effectively? How many of the things you've wanted to do in your life have you actually done? Have you ever found yourself the victim of a five- or 10-year memory blank? There you are already in your future and you realise you didn't get around to achieving your most cherished goals? Sadly, most of us have. Even more depressing is the idea that many more of us may still be living in the fog. But action, not depression, is what we're here to discuss, so let's move on.

Goal-setting gurus will tell you your goals need to be SMART (specific, measurable, achievable, realistic and timed) or STRETCH (ones that you have absolutely no idea how to reach) or any other version or acronym like these. Without going too deeply into the science of goal-setting try this simple model called the EIR approach.

Examine

Start at the beginning is what the examine step advocates. Get a realistic picture of what you've already got to work with by examining your individual circumstances honestly. If you completed realistic beginnings and the other suggested exercises along the way you'll already have this step covered.

Imagine

This is the setting of the goal, or the process of envisioning the future you see yourself perfectly fitting into. Again, if you've completed the section on why in I wanna be a trader and the chapter on big picture planning you'll have this one covered too.

Reason

Finally reason, which tells you to apply reason to where you want to end up and how. This is the process of setting goals and making the plans to achieve them to bridge the gap between where you are today (as discovered through the examine process) and where you want to end up tomorrow (as articulated through the imagine process). The EIR approach generally takes three to six months to complete in a corporate environment and, at the very least (via our intensive weekend workshop), two full days of thinking and doing by a private individual. In the meantime we have a cut-down version to get you started. But first, here are ten ideas on setting and achieving effective goals:

1. Make sure the trading goals you set are the ones you really want (that give you the right feelings) — not just what sounds good, or what works for someone else. You may even achieve the trading goals you set, but the prize will be nowhere near as sweet. How often have you found yourself chasing the proverbial carrot only to reach it and think, 'So what, is that all there is?'

2. Set your trading goals in harmony with your bigger picture. Contradictory goals set you up for what's called 'non-integrated thinking' and create all sorts of noise and obstacles that get in the way of your achieving anything much at all. For instance, if you set the goals of spending lots of quality time with your family as well as building your existing business, then also setting the goal of being a full-time trader (at the same time) is just not possible — unless you plan on never sleeping thereby dooming yourself to fail. Your subconscious will have no idea where to apply your power and will go into a scramble.

3. Set goals in all areas of your life and check for fit with each other. Taking a holistic view of your life, as demonstrated in big picture planning, is an excellent place to start as you can weed out any of those non-integrated thoughts and desires. This doesn't mean you have to try to achieve goals in every area of your life all at once. You probably have anywhere between 20 and 80 years left of your life to achieve your goals, so look at things from a longer term perspective and prioritise.

4. Write down your goals. We can't stress this one enough. The difference between a goal and a dream is that the goal is written down. Writing down your trading goals creates the road map to your success. Often just the act of writing them down sets the wheels in motion. Write them down in the present tense using words like: 'I am', 'I have' and 'I do' not 'I will', 'I hope' or 'I wish'.

5. Write goals in the affirmative, not the negative. We refer to this as moving towards goals, as opposed to moving away from goals. Focus on what you want, not on what you want to leave behind. A goal is a set of instructions for the subconscious mind to figure out the way to get it for you and it's a very efficient tool.

6. Write your goals out in complete detail. The more detail you can add, the better and more efficiently the subconscious mind can start to magnetise all the things you need to achieve your ideal. As an example, Sari once had a goal to appear in a Hollywood film — which she did, but it was only for about five seconds as an extra in *Inspector Gadget III* Had she fleshed out the goal in more detail, who knows? She might have been living in Hollywood now as a famous actress.

7. Make sure your goals are high enough — this is where the stretch idea comes in. The old saying is, 'shoot for the moon and you might just reach the stars.' Obviously consider point two when you're doing this. There's not much sense starting with a $10000 account and setting a goal to make a million within a month — you'll just set yourself up for disappointment. Consider the time/money relationship but set your trading goals high enough to make you stretch.

8. Be aware, however, that sometimes you might find yourself realising that a goal may need revising or changing altogether as circumstances change, and new information comes to light. Never see this as a failure on your part — you are simply growing as a person and a trader, and you now have the insight and courage to change course and create a better fit with the overall vision of your life.

9. Unless someone else is critical to helping you achieve your trading goals, don't share them freely with others. Sometimes well-meaning friends, family and other traders can put a negative spin on your goals and it's hard to keep those naysaying voices out of your head once they've crept in.

10. Review your trading goals daily and do something each day to bring them closer to your reality. In every moment there is choice, so get into the habit of asking: does this decision bring me closer to my goal or take me further away?

If you did nothing else on this list except for point four, writing your goals down (that is, creating your trading rules) and point 10, reviewing your goals daily (or better still before each and every trade), you'd still be in a far better position to achieve the success you desire than without. If trading success really is important to you, don't be tempted to take short cuts. Written goals clarify your long-term vision while simultaneously fuelling your short-term motivation. That's pretty powerful stuff.

Table 11.1: top trader thinking versus wishful thinking

Top trader thinking	Wishful thinking
Realistic starting point	Limiting beliefs, unrealistic expectations
Vision and goals	No personal responsibility
Action plan and trading strategies	Market noise, hot tips etc
Focussed decision making, consistent results	Inconsistent results, poorly executed decisions

Action planning — applying the reason step

Now take all of the work you've done throughout *Bullseye* and create a master 'to do' list, which articulates your goals and forms the basis of the plans to achieve them. You can apply the SMART or STRETCH goal setting techniques defined earlier. The table has been started for you with a few ideas. Add to it based on your own particular circumstances and desires.

Table 11.2: simple goal planner

Planning point	Today's reality	Tomorrow's vision	To do
Time available to dedicate to trading			
Trader's bank			
Knowledge of markets			
Skill with products			
Effectiveness of trading strategies			
Confidence with trading system			
Trading resources			
Trading mandate			
Trading purpose			
Big picture vision			

This is an excerpt from the book Bullseye: Top Trading Thinking. For the complete book visit:

www.MasterClassTrader.com

MASTERCLASS TRADER