



Help! An Angry Bear is Destroying My Account!

Rob Booker

Introduction

My first reaction when I have a loss is to chalk it up to the standard ups and downs related to trading. We all have losses now and then.

My standard reaction when I have four or five losses in a row is to start screaming.

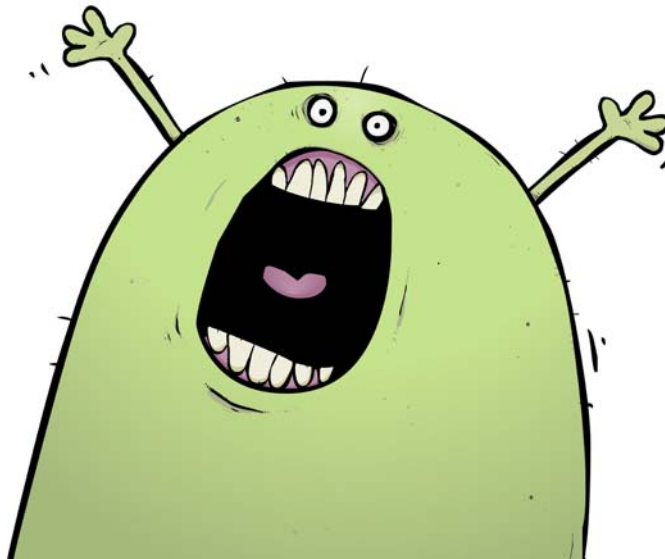


Figure 1. Me.

Losing Is easy. Dealing with losses is not.

It's not easy to stay on track when you have multiple losses in a row. It's hard to keep doing the things that I should be doing, and it's so easy at those times to start changing the way that I trade.

For a discretionary trader, there's nothing like a string of losses. My mind starts playing tricks on me. I begin to wonder if I should be looking at something different. A new system. A new risk management system. There's a lot of tension involved, in particular because I send my trades out to a lot of people, and when those trades aren't working, there are a lot of people that know about it.

That's not so different from the pressure you might feel when you have multiple losses in a row. You might start to look on ForexFactory.com or some other Web site for an alternate strategy. Maybe you don't. Perhaps you have no temptation to get off track.

I do.

And lately, as I have had a series of losses, one after the other, I thought it might be a good time to write down for others what it is that I do in times like this. It's been a while since I went through something like this and it was — for lack of a better term — frightening. Facing a series of losses after a really good period of time (over two years) without a significant losing streak scared the crap out of me.

For me, it's important at times like this for me to find some quiet time to think, and then to realize what is really going on, and then to deal with the situation.

Let's start with the first essential step: stop, get some quiet time, and think about it.

Step One:

Find a Quiet Place to Think.

When I lose money (more than 3-5% on a drawdown basis), I tend to start to think about how I can get that money back. That's a dangerous situation. To get that money back, I am probably going to need to take bigger trades, with more lots, with wider stops, or who knows what, to try to get it all back. Man, I want that lost money back. I want to do things that are counter productive in order to get the money back. So I step back, walk away from the computer, and find a quiet place to think, and **I stop thinking about trading.**

Finding a quiet place to think deeply about how you're doing can be the most important step in the entire process to get back to winning again.

Why do I stop thinking about trading during that time? It's important for me to have at least a full day, and hopefully two or three, to think about other things. Often the bad trades come at a time when the rest of my life is out of balance. Taking time to think gives me the mental energy to do an inventory of my relationships and my responsibilities outside the realm of trading.

During this time I do as much of anything that I want to do as I can. This generally means spending a lot of time at home with my family. It includes reading time in the mornings, as the sun comes up, prayer/meditation, and lots of open conversations with my friends and family about what I'm going through.

On the next page I'll list out some activities that I do during this time and how each one seems to help.

Non-trading activities that bring me peace of mind.

Time with my family. This is first on my list and it brings me back to what is most important in life, and the reason that I am trading in the first place. Often I'll realize during this time with my family, that I have been neglecting the family or not fully participating in my home life. Being more "present" and "there" with my family centers me again. This one act of centering myself brings balance back to my trading, too. I can't explain why, but that's the way it works. So, when I'm having a tough time on the trading front, we all hop in the VW bus and go out for ice cream. And I sleep in and wake up with my kids. And I play basketball with my 12-year old. And I watch a fair amount of cartoons with my 1 year old daughter (daaay, wata mooobie?, she asks. That's Olivia-speak for "Daddy, can we watch a movie?").

Uplifting books. Filling my mind with good thought-food is essential at times like this. I choose books that aren't necessarily self-help (which can be counter-productive for me) but rather I turn to classic works of poetry, or meditation (*Zen Mind, Beginner's Mind* has become a favorite), books of scripture, and journals that I have kept over the years, in which I have recorded the ways that I have overcome challenges in my life.

Deep conversations. The people closest to me are a huge help during the bad trading times. Eric and Dave and I, plus anyone hanging out at the office for the day, **have long conversations about what really matters.** We talk about (as my friend Don would say) **the Big Reasons for Being on the Planet**, and we talk honestly about what might be going on outside my trading life to cause some of the problems with my trading. We talk about whether I am still focused on what has been working in the past, or if I have changed things around in my trading (often my tinkering to make things better leads to things becoming worse).

Quiet time with no purpose. You might call it meditation, I might call it prayer, others may call it a waste of time. But I treasure the moments when I can sit quietly before the sun comes up and let my mind wander. When I do this I start to place my recent trading performance in to context, as part of the bigger picture in life. I can be driving down the road in my VW bus later in the day, and because I've prepared my mind earlier in the day. If I don't take the time to prepare my mind earlier in the day, it's a lot harder to recognize the solution when it comes.

Step Two:

Realize what's really going on.

Facing reality at this time means that I've got to actually fully accept that what has happened in my trading account is my fault. It's not my broker's fault, it's not my wife's fault. This is not easy for me to do at times, not because I don't want to take the blame, but rather because I don't want to think about the losses.

We are taught in our society to shun losses and focus on winning. Winning is everything.

Facing reality means I take full responsibility for my own performance.
It means I welcome, with open arms, the losses.

This terrible focus on winning causes enormous problems for many traders. We feel that we're worth less as traders when we have losses. Even though we know it's true that we have to have losses, the losses we do experience never seem to be as normal, or as ordinary, as they're supposed to seem when we are reading a book about trading psychology.

Plain and simple, we just don't like facing the full brunt of the bad performance. Staring at an account statement with a long series of losses calls into question our own ability to be a trader. We start to feel like a fraud, or at least we're secretly afraid that we don't deserve to do this for a living.

But something magical happens with me when I stare those losses down, and instead of racing away from them, and I embrace them rather than discount them or ignore

Step Three: Deal with it.

Often I don't need to do anything dramatically different in my trading in order to get back on track. In times like this, I just need to go back to the computer a couple of days later and start trading again, with my same risk management strategy, and just let the losses work their way out of the system. Because I don't lose very much per losing trade (never really more than 1% or 2% at the most), it's **financially okay that I have a string of losses**. And there are simply times when the way that I trade, the pairs that I trade, the times that I trade are, simply, going to result in bad trades. That's just the way it is.

Sometimes dealing with it means that I go back to doing exactly what I was doing before.
Sometimes it results in a ***radical shift*** in the way that I trade.

The trading education industry is set up to teach us, in the end, that we each actually don't know very much on our own and we need to do what someone else is doing in order to become successful. That's a lie, of course, but for as long as we choose to believe it we will be tempted to doubt our systems and methods when something goes wrong, because there simply **has to be a way that we could have avoided this string of losses, right?**

Well, sometimes, no. Sometimes you are just going to take some losses. The best system in the world, operated in unfavorable market conditions, or by a person who is temporarily having some emotional problems, is simply not going to make money.

At other times, I realize that I do need to change some things. The quiet time that I have spent brings me to the conclusion that I need to do some new testing, and try

So, Rob, what did you learn this time?

I started all of this off by letting you know that recently I've gone through a losing streak, and it has bothered me.

Over the last two weeks I've had some wonderful quiet time. I've gained some new insights into my own life. And I've taken some steps to get back on track. **What could have otherwise been a terribly depressing situation has become a positive experience.** In fact, personally I've had the best two weeks of my life in recent memory.

I learned that I had deviated
from what was working really
well.
And that my life was completely
out of balance.
And that a three-year old can
teach me a lot about trading.

From this experience, I learned that there were a few things that I was looking at in 2007 that had really helped me make good trades. First, I had been looking at the SSI data from FXCM — the retail order flow/sentiment information that is published on DailyFX.com. I have no idea why I got away from that. Resolution number one (which I've already done) was to go back to following that to get a view into the market.

Second, I realized that I hadn't been spending enough time with my family. I corrected that and immediately felt stable again, like my trading feet were touching the ground and I could analyze the market from a realistic, productive, and profitable perspective.

Conclusion

Most traders never deal head-on with their losses.

Most people who call themselves traders lose money.

I'd love to hear that you're not "most traders."

Happy trading!



Figure 2. Me.



Who the Crap is Rob Booker?

I'm a currency trader. I wrote [Adventures of a Currency Trader](#), published by John Wiley & Sons in February 2007. It has now sold about 3 copies worldwide (give or take 10,000). [Here is a photo of me](#). Just kidding. My next book, *Never Invest Alone*, should be published sometime in 2009. I may scrap that entire project, however, and try to make a TV show.

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