



Trading *focus*

HELPING FOREX TRADERS ACHIEVE THEIR GOALS

We exist to provide the finest charting system on the planet and to augment that with world class training, education and support.

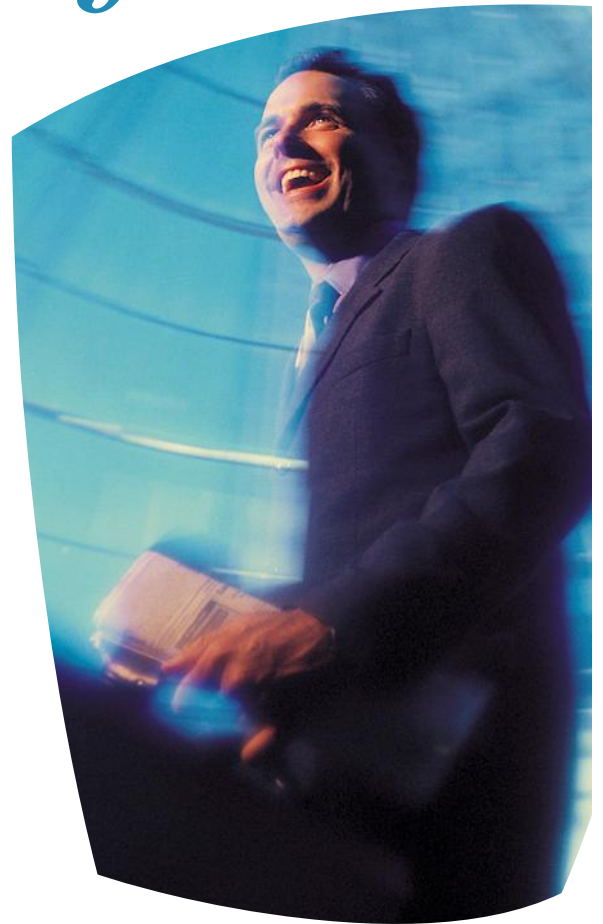
Helping you achieve your financial goals

Summer Doldrums Soon

As we head into summer, we can already see the Average True Range (ATR) is dropping on especially the majors. So how do we adapt to this yearly phenomena?

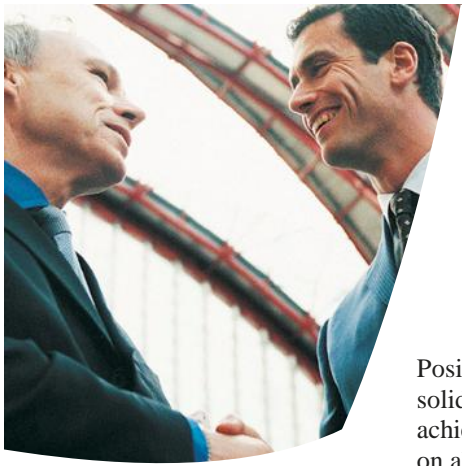
Well first we do not change our methodology we just reduce our expectations in session movements. So a currency that was doing a 120 pip ATR a day may only be able to move 90 pips in the summer. Some of the exotics will reduce by 50-60 pips a day. This

is still plenty of opportunity. Find the Wide Open Space and compare to its ATR. You will still trade it, but move stops a little more judiciously and realize that when it runs out of steam – you may be in for a pullback sooner that you normally would be. Some currency's (like the NZDUSD and AUDUSD) may have reduced ATR's but because of their personality tend to travel in narrower channels to the target. As long as they are building channels they are tradable.



Trading Tips

The 6 Aces chart was designed for reversals since it is really reliable with it's particular candle pattern (See 6 Aces tutorial). However, in the summer we get more pullbacks and the 6 aces can be used to achieve better entries after you have figured out the structure. Summer patterns can give awesome entries with the 6 Aces especially after an ABC pullback or flag— learn the setup and it will really help you make better decisions!



Getting the most from Technical Analysis

Technical analysis is the cornerstone of Forex Target Trading!

Friday Square ups

ProAct Traders has always elected not to trade on Friday. The reason is the tendency for the market to “Square Up” positions taken during the week.

Position traders are exiting solid positions that they have achieved a reasonable profit on all week and due to crazy people flying planes into buildings, elect to exit those trades. The retail trader who is typically trading on a much

“Live as if you were to die tomorrow. Learn as if you were to live forever.”

Mahatma Gandhi

smaller time frame will usually be trading in the direction of the trend but we have no idea when or if they will square up. Retail traders in the illustration below would have been taking/or in a short when all of a sudden the market squares up and you

**SMARTER INVESTING:
Be Realistic**

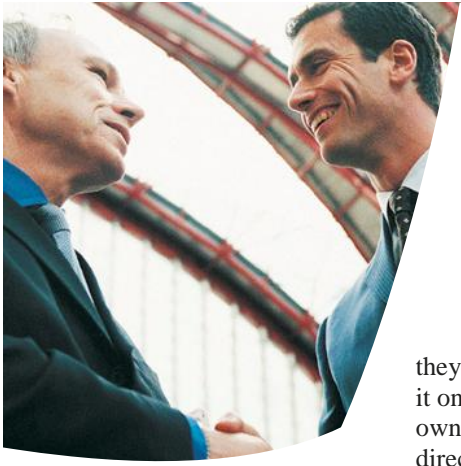


either lose on the trade or lose all your profit. It is especially important in the summer with lower ATR's to be ready for square ups at any time but ESPECIALLY on Friday.



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Squaring up – what is it?



To square up means to get flat. Big Boys (BB) are taking all the trades from the Broker which means there are those who are buying and those who are selling simultaneously. When the market moves in a direction after consolidation the BB own all of these trades and so

they will have phantom profit on all the trades that they own that are going the wrong direction Just like when the housing crash came – banks were stuck with lots of houses that no one was paying on. They either write them off as a loss or find ways to get rid of them on the books. BB’s square up or create a temporary market that is conducive to traders

taking this “toxic waste” off their hands and this allows them to offset those bad trades to someone who actually wants them.

“It is our choices, that show what we truly are, far more than our abilities.” *J. K Rowling*

This allows them to cream the little guy if they are not aware that a square up is what is really happening. In the Screenshot below you can see that the temporary buy market will “cream” the retail trader who does not understand this pattern.

SMARTER INVESTING:



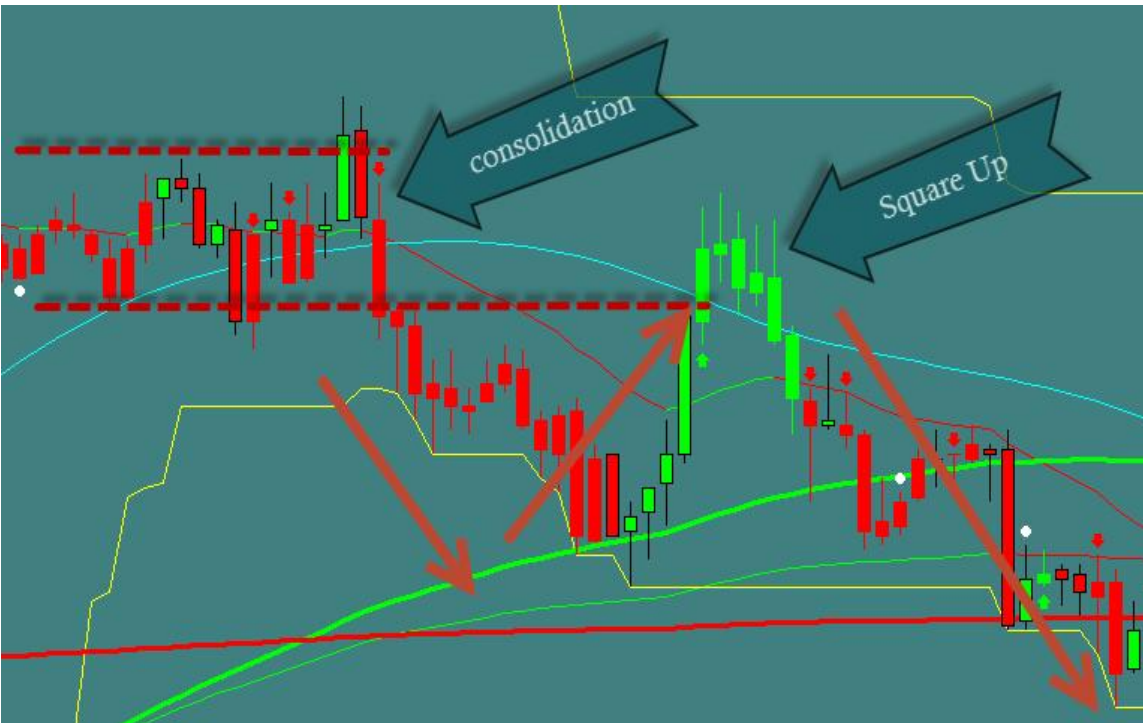
Can I really become great at trading? YES! But it does not happen just because you want to. It happens because you methodically do the work.

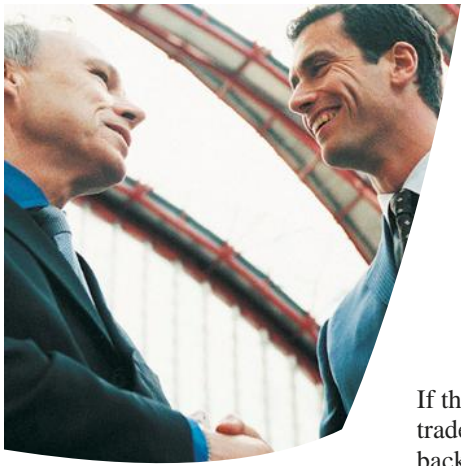
I have adapted a great article by Shane Parrish at Farnam Street and added the Forex Trading principle on each point.

Click or copy and Paste:

<http://proacttraders.com/sites/default/files/You%20can%20become%20great%20at%20almost%20anything.pdf>

Have a great read.





Mastering the Trading Mind: Letting Go of the Illusion of Control

Rande Howell of Traders State of Mind



Where is your mind when you are in the heat of a trade? Is it right there with you, working hand in hand with you, or is it someplace else? At the end of a trading day, when traders are reviewing their trades, they often comment “What was I thinking?”, “Where was my mind?”, or “Why couldn’t I see that? It is as plain as day now!” It’s like the mind surreptitiously skipped out the back door during the heat of battle (just when you needed it) and snuck back in when the coast was clear.

What is perplexing is that the mind that traders bring to the trading review is a very different mind than the one with which they were trading. The missing link between knowledge of trading and success in trading is found here. But why – isn’t there just one mind? And where could it go anyway?



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If they are so capable of “seeing the trade” when they are armchair quarterbacking in their review, why can’t they “see the trade” with the same mind while they are in the act of trading? If this problem of the missing mind is solved, the potentiality of trading’s financial possibilities becomes tangible rather than an elusive dream. It also opens the door to a whole new way of understanding the interface between brain and mind – and emotion and thinking. And to open that door, you will need to learn how to “see” in a new way. You will need to learn how to become mindful of emotion so that you are no longer mindless of the nature of emotion and mind – and the escaping mind.

And, often, prior knowledge of how to produce success in another field before trading sets the stage for failure in trading. The skills needed for working with emotions and mind are very different than those needed in other endeavors. The evidence is that the mind keeps escaping when you need it most, and, consequently, your trading account balance does not reach its potential.

Where Did The Trading Mind Go?

When in a calm and curious mood, it is easy to be in a state of mind that accepts probability – there is no risk or cost to the uncertainty of outcome. That is the mind that you bring to your review. There is no threat in the perception field of the mind, so it is able to stay in the present moment. The perceived dangers of the trading day are gone and a relaxed brain/mind is able to be in the present moment when you are reviewing your charts and the actions you took. And then you, the

trader, sees with clarity and things seem so easy to manage. It would be an ideal mind to bring into trading - but that relaxed and calm mind does not have to deal with the uncertainty and pressures of the trading day. Notice the connection between the relaxed and calm brain in the **HERE AND NOW** generating the mind that can handle probability thinking.

The brain and the psychology-called-mind collectively are in the Present Moment – the Here and Now. It is not looking to the future for trouble nor remembering the past negative experiences to be avoided in the future. It is this connection to the future and past that robs the trader of being in the Present Moment while he is trading in real time.

But this is not the circumstance that existed during the trading day. Here, the mind is emotionally thrown out of the relaxed and calm Present Moment and is confronted by the potential cost of uncertainty. Now, unless trained differently, it will start living in the future or the past – not good for the trader. To the brain, uncertainty is a bad thing to be avoided at all cost. Uncertainty, in the ancestral brain we inherited from our ancestors, was linked to biological fear. If you experience uncertainty of outcome, your brain is hard-wired to trigger to anxiety. To our ancestors, it was a life or death proposition and the avoidance and hyper-vigilance of worry was a successful solution for survival. This is the biological bias you bring into trading, no matter what.





Mastering the Trading Mind: Letting Go of the Illusion of Control continued...



Just as today's deer are skittish, always looking for signs of danger – so are we. Bad things can (and will) happen if ambiguous conditions are wired into us as a trait. This means these conditions have been so successful to our survival in the past that the learning has been burned into our very DNA. So when we, as biological beings, with a genetic disposition toward avoidance of threat, are exposed to uncertainty and ambiguity, our biology (and the mind that emerges from it) is predisposed to hyper-vigilance toward things that could go bump in the night. This is the exact worst thing that could happen for a trading mind.

In effect, when you expose an untrained brain/mind to the risk of uncertainty found in trading, you automatically generate the hyper-vigilance that produces self-doubt. The trader, through the hyper-vigilance of anxiety, produces a mind anticipating the future. (This is the mind that skipped town on you in the heat of the moment.) And it is a fearful future when the trader realizes all sorts of things could go wrong. To the ancestral brain/mind, you need to avoid the possibility of threat no matter how remote. You, the trader, can suddenly “see” trades that are perfectly good set-ups – but are full of uncertainty. And the hyper-vigilant brain/mind swamps the thinking mind (the one that you had at review) with cortisol. Self-doubt and poor decision making under pressure is the cost.

Your trading mind has officially skipped out on you at this point. Your mind, under the influence of the hyper-vigilance of foreboding, can no longer “see” the potentiality of trading set-ups as “good risk”. It can only see the downside. The mind is now living in the future, anticipating all sorts of bad things. Or as Mark Twain once quipped, “I have experienced a travesty of horrible things in my life. And a few of them actually happened.” No-

tice, in dread of the future, the trader is blind to the Present Moment. Instead, the trader's mind is focused on the future, looking to avoid the Saber Toothed Tiger lurking behind his trading screen.

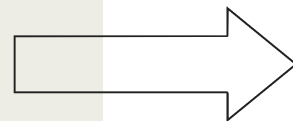
Also, if the trader has experienced loss in the past and felt traumatized by it, there is now another dread – the fear that the past may repeat itself. Both the fear-of-the-future anticipation and the fear-of-the-past coming back to haunt you take the trader out of the Present Moment. It is in this Present Moment, after the past and before the future arrives, that the trader can control one thing – the mind he brings to his performance of execution.

The future has not arrived, and you as a trader have no control over outcome – so it becomes a useless artifact of your evolutionary past in the brave new world of trading. The anxious mind is attempting to control outcome, which is beyond its capacity to control. Meanwhile, your awareness of the Present Moment is lost to the anticipation of the future or is held captive to the past.

And in attempting to control the future by anticipating it (which the markets prove everyday cannot be controlled) the trader loses control over the one variable he can control – the mind he brings to the Here and Now of the Present Moment.

How Do You Get the Mind Focused on the Present Moment?

Talk is cheap. It makes perfect sense that a trader needs to prevent his mind from anticipating the future and maintain its focus on the Present Moment. But talking about it as an intellectual concept and doing it as an available skill set while under pressure are two different things.





Mastering the Trading Mind: Letting Go of the Illusion of Control continued...



First, notice (become mindful) that it is happening. Notice that fear- and euphoria-based minds actually come into play as you are trading. In their denial, many traders live in the delusional assumption that emotions are optional – that they should be able to be “turned off” while you trade. This is impossible, because emotions create the quality of thinking that you bring into a particular moment. If you are thinking, by definition an emotion is governing the quality of your thinking. The key is to consciously manage the emotions that give rise to the mind while you are trading.

What many traders try to do is push their emotions down, believing that by suppressing them they are controlling them (mindlessness). This is how traders get hijacked by their emotions in the heat of the moment. The mind has not skipped out on you so much as you have chosen to ignore the emotions that give rise to the mind that you bring into the heat of the moment.

Notice the kind of thinking you are doing. Are you full of “What if’s”, “You could be wrong’s”, or “You’ve got to be right’s”? That will tell you that you have an anxious mind that is being brought into the moment – one that is anticipating bad things happening. Conversely, your inner chatter may be more euphoric in nature. “I’ve nailed this one”, “I’m going to ride this one”, “I’m on a run – I’m in tune with the markets” are good examples. You are still in the future counting all the money you are going to make. Notice both fear and euphoria take you out of the Present Moment, where the trade is actually

happening.

Second, learn to regulate your emotional nature. You cannot pretend that emotions are not present and still win in trading for long. But you can become aware (mindful) of the emotions that are present and then regulate their intensity (Emotional Regulation). To stay with the emotion and regulate it does take practice and vigilance. But it is better than the alternative- to continue losing your trader’s mind just when you need it the most.

These skills are learnable – to be in the Present Moment with the trade. It appears as a flow state, trader’s mind, peak performance mind, and/or a sense of attunement with the market. It is not the mind that you brought to trading that seeks to control outcome. It is the possible mind that embraces probability and has accepted the truth all along – life is uncertain. In accepting life as potential that is brought forth into reality by the beliefs and biases of the observer you bring to the Present Moment, you gain the edge you have been seeking with all the acquisition of the knowledge and “stuff” of trading. You become the difference in the trading world you are creating.

Rande Howell is President of Traders State Of Mind which specialized in the Psychology of trading. Rande is the ONLY Psychology coach that ProAct Traders LLC recommends.

Rande can be reached at TradersStateOfMind.com

