

The Liberated Stock Trader Inside the Traders Mind

From small change to financial freedom

25 Unique
Insights
to
improve
your
mindset
to help you
make better
trades



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Introduction

Trading and investing in the stock market not only means you need to have a thorough understanding of Fundamental Analysis, Technical Analysis, Trading Strategy, Portfolio Management and Risk Management. You also need to be able to understand yourself or more importantly understand how you react to certain situations.

If you have not already done so you can access this eBook and much more, including videos and other eBooks at [Trading Academy Free membership](#) at [LiberatedStockTrader.com](#)

Part 1. Positive Personality Traits

Here we have a list of personality traits that are akin to people we all know, and in fact we all have a little of all of them in us. Here we detail the positive personality traits.

The Philosopher

“The wise man knows that he knows nothing”

Socrates

One way to gain confidence in your trades is always be a student, always look to learn, improve, and better your understanding. But do not kid yourself; you can never be 100% confident. If you are a true Philosopher you will also know what you do not know. Always understand that you cannot know everything, crowds make strange decisions, buying patterns fluctuate almost like organized chaos.

The Student

Learn, Learn, Learn and most importantly understand. [LiberatedStockTrader.com](#) is dedicated to this cause. Learn what the indicators mean, learn how to read a balance sheet, learn how earnings affect stock price, learn about yourself.

Take a Jung Typology Test (10 minutes)

<http://www.humanmetrics.com/personality>

The Jung-Myers-Briggs evaluates personality type and preference based on the four Jungian psychological types:

extraversion (E) or introversion (I)

sensing (S) or intuition (N)

thinking (T) or feeling (F)
judging (J) or perceiving (P)

It is incredibly accurate and thought provoking.

The Good Shepherd

Understand that the market does not always move logically the market is emotional. Crowds are really emotional, the crowd is akin to sheep but amongst the sheep there are wolves in sheep's clothing (negative earnings reports / bad news) and when the wolves unveil themselves the sheep tend to panic and scatter. Do not let the occasional wolf throw you off course.

The Believer

Having self-belief in the market place is vital and possibly the hardest of all emotions to develop, first you must become a philosopher, then a student, and only then can you start to believe.

Do not rely on anyone else to sell you the secret of success. If they had it they would not need to sell it to you because they would already be rich.

The Realist

Read the Section "How to Become A Millionaire" trading the stock market.

<http://www.liberatedstocktrader.com/4-stock-market-millionaire/>

This will demonstrate to you, that in the real world, you will not become a millionaire overnight, in one year or ten years. However, given enough time, consistent profits and compounding, it is possible.

Stocks regularly move up and down 1-10% in a day. Sealing in a 10% gain in a day or week is an excellent result. Do not expect to double your money in a week, month or year, this is very rare, and this is the bait used to sell you trading robots, stock newsletters or secret trading strategies, it is all FOLLY.

"people who pay for automatic trading systems are like medieval knights who paid Alchemists for the secret of turning base metal into gold"

Dr Alexander Elder – Trading for a Living p15.

Joy of Winning

Joy of Winning is a beautiful women and to be in her presence is intoxicatingly good. Winning is a way of life, but not always in the stock market, every day can mark us a winner or a loser. The true winners, have more money at the end that they started with. Winning can be addictive, but do not let it cloud your vision.

Joy of losing.

Believe it or not, there can be a great joy in losing. I have had many times where I have bought a stock and instantly it turned strongly against me.

How could I possibly enjoy that? Easy! I get out of the stock quick. SELL.

When I sell and then the stock plummets, I get a deep satisfaction about how much money I saved by being nimble, flexible and most of all decisive.

Part 2 : Negative Personality Traits

Trading and investing in the stock market not only means you need to have a thorough understanding of Fundamental Analysis, Technical Analysis, Trading Strategy, Portfolio Management and Risk Management. You also need to be able to understand yourself, or more importantly understand how you react to certain situations. Here we have a list of negative personality traits that we need to be aware of and try to minimize their impact on our decisions.

Admiral Addictive Trader

Why are you trading? For the kick? For the money? Remember "if you keep losing, stop trading!". Re-evaluate, learn, improve your system or stop trading altogether. This advice saved my bacon more than once...

Captain Contrarian

"A simple rule dictates my buying: Be fearful when others are greedy, and be greedy when others are fearful."

Warren Buffet.

When the news is as bad as it could possibly get, when brokers are losing their shirts, their jobs and their Porsches, when apparently sane people are moving to the country to live off the land because of economic meltdown, **THAT IS THE TIME TO BUY, and BUY BIG.** That is where the biggest profits are.

Sir Right Royal Run for the Hills

All successful traders incorporate the gentry into their trading style.

Be ready to change your opinion, quickly When the trade goes bad, get out! Pride = Pain in the stock market.

Corporal Commitment

Not a role usually associated with young males, however when you commit to a trade

commit.

The most successful investors, when they have made a decision, commit with everything they have. George Soros broke the Bank of England through his commitment to his belief. If he had gone into the commitment halfheartedly, he would have lost everything. Even if you commit everything be prepared to back out quickly, the size of your commitment should not hinder your ability to change course in rough seas.

Sir Houdini

Always have an escape plan, know the criteria by which you will get out. Be it a bad earnings report, a loss of 5%, or a potential global financial crisis.

The Saint

My mother is a living example of this as she has the Patience of a Saint. Unfortunately, I did not inherit this trait naturally and have had to learn this the hard way. Profits, like a fine Italian Bardolino wine, take time to develop, but when they have developed taste so much better.

Private Timeout

You do not always need to be in stocks, give yourself a rest stay in cash until the coast is clear.

The Runner

Do not cut your profits short. Never say "when I make 15% I will sell". I made this mistake with Smith & Wesson Holding Corp (SWHC). I bought this stock end of March 2009, for \$3.25, when it broke through a 4-month resistance line. I sold on 10th March 2009, for \$4.25 (30% gain in 10 days. A healthy gain. ' the stock went on to a heady price of \$6.61 over 100% gain. Ouch. Most important is of course make a profit. But if you can learn to control your emotions, and let it run, the big wins are there.

Brigadier Big Win

It is OK to lose, chances are you will lose 50% of the time, ensure you lose small and win bigger. Learn about risk reward ratios.

Sir No Risk no Gain

There will come a time where you will make successive losing trades. It is extremely important that you do not take excessive risk to make up for that loss. This happens to us all.

I bought a stock recently and set a stop loss at 5% to be "good till canceled". The stock gapped down 20% the very next day. It jumped straight over my stop loss, and I lost 20% as it was automatically sold on opening. This was a very volatile stock. I was so convinced I could make my money straight back that I bought the same stock again, and it lost me a

further 8%. 28% is too much to lose, I was sure the stock would fly. It did, but by this time I was too burnt to buy it again. I had not controlled my patience, or my "no Risk no gain attitude". However, I made a note in my trader's manual, and will never make that mistake again. It took me 3 months to make back the lost ground, but I did it slowly and consistently.

The thrill of a big winner, is great, and I have had my share of 30% winners in 3 days but you must trade volatile stocks for these gains. But catch them on a bad day, and they gap down on the opening bell, and you lose 15%/ 20% in a day also.

The most successful investors like entrepreneurs are risk averse, and so should you be.

Risk = Pain = Killing your portfolio.

Mr. Impulsive

I need to buy this stock now or I will miss the boat. There are many boats on the ocean, do not jump on the first one you see, the ride may not be comfortable especially if you have not studied the other boats. Wait for a better boat. Take your time to learn before trading, opportunities are always in the market you have time.

Mr. Conspiracy Theory

Believe it or not "the stock does not know you have bought it!" it does not turn against you personally, although it can seem that way at times.

The Tape Watcher

It is the hardest thing in the world to sit there and watch a stock in real-time mode, minute by minute. This is a far too emotional experience. When it ticks down, you think, "I made a bad decision", when it ticks up you jump for joy. Good profits take time. Set your stop losses, and go and do something else productive in your life.

Field Marshall Flounder

If you are unsure, do not do it. Every trade in which I was unsure has been a losing trade for me. Do not make the same mistake.

Sergeant Silly

Do not hold a losing stock until it makes a profit. That is pride getting in the way of profit. Never, ever, average down on a stock.

The Roller Coaster Rider

It is easy to become a roller coaster rider! When earnings reports are good, when the markets are gaining, we feel good, our stock is increasing and we feel positive. When things are starting to look bleak we feel bad, that uncomfortable nervousness that accompanies pain or fear. Most of this discomfort can be avoided by filtering out over hyped news.

You must learn to filter the noise and focus on what is important. Remember why you bought the stock, have things really changed since you made the purchase?

Brigadier Backward Thinker

All new people to trading make the same mistake. Sell the winners to realize the profit, and keep the losing stocks until they win. This is a sure-fire way to bankrupt yourself.

Professional portfolio managers like professional retailers view it the other way. Always trim the losing stocks, often and with no remorse!

Always keep the winners, because they can earn you more in the future. Think of yourself as a shop keeper. Would you stop stocking the few brands that make you the most money, and keep buying non-selling products in the hope they will sell in the future.

In case you are wondering the answer is NO.

Summary

There are trading strategies associated with all personality traits, this mini eBook highlights a few of the things we all need to work on to improve.

Control your emotions

If it is too hot in the kitchen - get out, take a break

Every day has opportunities, you will never miss the boat.

Believe in yourself, not Guru's and especially not automated trading programs.

Always be ready to change your mind.

Commit & believe, but when your hypothesis is looking to be proven incorrect by the market, change the hypothesis.

No matter what you think, the market will do its own thing.

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It is essential for you to have a thorough understanding of the tools & strategies you are using. Ultimately, everything rests with the Trader. The Buck Stops with YOU, and only YOU are responsible for every aspect of the Trade. Never put your money on the line without a thorough understanding of what you are doing, and why you are doing it, based on your own personal knowledge and experience.

No Chart Pattern works out the way we think it should every time, so it is vitally important to have a protective Stop-Loss and/or Exit strategy planned before entering into a Trade. Do your own research and testing before attempting any new technique. To properly utilize this tool, you must do enough thorough testing on your own to be satisfied with the results, and how those results will affect your personal Trading and Risk Management, before making any trading decisions.

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