

Trading Psychology: Top Ten Trading Psychology Myths

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1. **People are born traders.** While it is true that certain personal characteristics make it easier to trade, no one is born a trader. One of the main themes of the Market Wizards books written by Jack Schwager is that almost none of the market wizards were successful from the start. They all worked hard at it.
2. **You have to have a high IQ to trade.** Just not true. In some ways, an above average IQ may be a hindrance. Trading is a human performance activity where strong intellectual abilities are unnecessary.
3. **Top traders are successful because they have the “right trading personality.”** There is no such thing as the “right trading personality.” Researches have been unable to find a strong correlation between personality type and trading success. It is important, however, to understand your personal characteristics and how they may help and hinder your trading.
4. **Trading is easy.** It sure looks that way, doesn't it? Just draw a few lines on the chart, watch your indicators, and follow the price bars. The truth is that trading is a difficult business to master. It involves analytical skills and abilities, as well as discipline, perseverance, and mental/emotional control. The later skills are the most difficult to develop and the most overlooked.
5. **You must be tough, hard charging, and fearless to be successful.** That's more media hype than anything else. It glorifies a strong ego, which is a detriment in trading. The most successful traders I know quietly do their research, study the charts, and patiently wait for the right moment. They strive to keep their ego out of their trading.
6. **You must trade without emotions.** If you are human, that's impossible. More importantly, when you understand your emotions you will realize they are assets, not liabilities. The real keys are: 1) to be aware of how your emotions interact with and influence your trading, and 2) to develop the skills needed to manage them.
7. **Top traders are usually right about the market.** Top traders have many, many scratch and losing trades. Top traders are at the top because they exercise good risk control, limit the amount of loss from any given trade, and have developed a psychological edge that allows them to be unfazed by small losing trades. Most of their trading consists of modest profits and very small losses. When conditions are right, they step up size and let the profitable trades run.
8. **Paper trading is useless—it's not a real trade without money behind it.** If you aren't paper trading, you are doing yourself a disservice. You should always be paper trading your trading ideas. Why limit your education and experience by the amount of capital you have? Paper trading keeps you sharp; you learn the conditions under

which your trading ideas work best. Where else can you get such important education at so little cost?

9. **Master the technical skills and you will be successful.** This is where most traders spend the vast majority of their time, but it's only part of the picture. You also have to learn important psychological skills. Traders should spend as much—if not more—time learning to develop their trading psychology edge as they do in developing their technical trading edge.

10. **Trading is stressful.** It certainly can be stressful, and it certainly is stressful for many. It doesn't have to be. Successful traders have a certain mind-set. They put little importance on any given trade. Their focus is on the long haul. They know that if they attend to the aspects of trading that are within their control (i.e., trade selection, entry, risk control, and trade management) the profits will take care of themselves.

Would you like to learn more about how to understand trading psychology and self-development? If so, please visit www.tradingpsychologyedge.com

Dr. Gary has helped many traders having difficulty like Juan. For a free consultation or to ask Dr Gary a question, email him directly at drgary@tradingpsychologyedge.com