

The Subtle Trap of Trading

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The Subtle Trap of Trading

My desire for this book is that it saves thousands of people from the anguish that is all too often experienced in trading, and that it helps the many good people who enter trading to find the success they desire.

Acknowledgements

In this pursuit, I have had the good fortune to experience life in the trading world, to know many good people and to have been introduced to many wise authors and teachers.

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My wife, my children, my mother and my sister have all shown tremendous love, faith and support as I pursued the creation of this course. My appreciation for all my family goes beyond words.

I have been blessed to have had many good and bad experiences in my life, all of which led me to where I am now.

For my life, for all the blessings I have received and for those that I am receiving I thank God, from whom all blessings flow.

The Subtle Trap of Trading

Comments on the course

"This course is trading 101 and should be required reading for every trader, in every market, at every experience level, period."

Derek Frey

Head Trader, Odom & Frey Futures & Options

"Brian McAboy has produced a true breakthrough work. It is brief, yet covers truly critical aspects of trading that many miss. He has managed to distill down into a very easy read, the core of what the developing trader needs to know and gives simple steps to follow to substantially improve one's trading. I highly recommend it!"

Matt Zaner

Owner and Principal, Zaner Group, LLC

"This is the first course in my 30 years in the business that seriously deals with the long standing statistic in trading - that 90% lose. It's right on the money for traders that truly want to be successful without struggling through years and thousands of dollars in losses. For any serious trader it is a must."

Judy Crawford

Broker, Zaner Group, LLC

"Thanks again for giving me the opportunity to review your course. I thought it was 'outstanding' and very comprehensive. This course may help 'save' new and struggling traders from the painful and costly lessons that can and do occur in trading. As a Commodity Trading Advisor and Currency Analyst, clients are constantly seeking my advice on how they can improve their trading results.

The Subtle Trap of Trading shows each individual what area they need to include or improve upon, based on their own input, and repair the 'chink' in their own armor and greatly improve their likelihood of success.

I am personally recommending this course to all my clients."

Bob Kozak,

CTA and Currency Analyst, Alaron Trading Corp.

The Subtle Trap of Trading

Table of Contents

	Page
Introduction	1
The Trap	8
Step 1 – Get Real	24
Step 2 – Get Clear	29
Step 3 – Get Smart	50
Step 4 – Get Focused	64
Step 5 – Get Control	70
Step 6 – Get Organized	73
Step 7 – Get On With It!	90
About the Author	92

The Subtle Trap of Trading

Introduction

Intention drives everything.

If you intend to make something happen, it will. If you don't have an intention, then you'll get whatever happens your way. And in the markets, the probabilities are that you'll lose your money unless you set the specific intention to become successful.

You've got a choice to make:

Are you going to make yourself into a winner or let yourself become a loser?

There's a statistic in the markets that's held true for many years. 90% of the people that come into the markets lose their money in the first six months.

The primary reason: the markets welcome everyone with open arms, everyone with any money, and you can start trading as soon as you can get your money into an account, whether you're truly ready or not.

The government has established agencies to regulate the institutions in the industry, but there's nothing protecting people from their own ignorance or lack of self-control. The markets are ruthless, literally. The markets don't play by rules and they'll do as they will, with no master to answer to. Any trader who shows up unprepared will have their money extracted sooner or later, and the markets just don't care.

There is no place where the phrase "A fool and his money are soon parted" is more applicable than in trading.

In trading, there are no pre-requisites like there are for driving a car, where you have to go through Driver's Ed and then take a test. On the road,

The Subtle Trap of Trading

ignorance or lack of minimum skill can hurt others. In the markets, however, the only person hurt by ignorance is the trader.

Just by the fact that you're here and have some money to trade with is an indicator that you're probably smarter than average. But just like any field of endeavor, if you're new to it, then you start off ignorant, unaware of the many details that make up that particular industry, and there are things you need to learn to establish yourself and be successful. When you opened your account, you were required to sign the disclosures that you understand there's risk in trading, but beyond that initial disclosure, there's no required learning or preparation.

There are many good brokers out there who will share their particular area of expertise with you and help you learn their methodology and systems. Unfortunately, what is needed to be a consistent, long-term and profitable trader goes way beyond the being able to read a chart and enter trades according to a specific system. If you've felt the desire to enjoy the tremendous benefits of trading, but right along side that felt the anxiety of the risk, you're seeing the tip of the iceberg.

Are You Sincere?

You're not alone, even though trading is a rather lonely activity. The statistic also says that 10% are making money. That's a lot of people. It's not lonely at the top. There are so many people that have consciously made the commitment to get there. Believe it or not, it's a good-sized group.

Let's look at some real numbers. As of January 31st, 2006, there were 1,451 introducing brokers holding memberships with the National Futures Association. Now the number of clients for each broker is something that they keep to themselves, as they should. But using a conservative estimate of 1,000 clients per IB, that gives us a total number of traders on that date

The Subtle Trap of Trading

of 1,451,000 traders. The losers total 1,305,900, and 145,100 people making money on a consistent basis.

Seems disproportionate, doesn't it. Well, it is. The good news in that is that there are over 100,000 traders who are now where you want to be. More good news for you: most of them took the long and difficult path to getting there. In your hands, you hold a No-BS, fast-start guide that will save you years and tens of thousands of dollars on your path getting there.

Do you sincerely want to be part of the 10% that make money year after year? Many people say they want it, but in reality aren't willing to put forth the sincere effort that it takes. Are you sincere?

I ask you for a reason. If you make the commitment to do what it takes to reach that 10% group, to reach that competence level and develop the skills that you need to, then you've taken the first step on the journey there.

If you don't make that commitment to yourself, then you're only kidding yourself with pipedreams and you might as well resign yourself to some large and painful losses in the markets. If you're not willing to do that for yourself, then you might be better off to take your money elsewhere. The markets will take it otherwise.

You're used to being one who excels. You're a trader because you're used to being above average, and getting above average results. You're smarter than average, enjoy a lifestyle well above the poverty line. You've got ambitions that exceed that of the average person.

You're used to being in the top 10%. Sincerely commit now that you'll be in the top ten in trading as well.

The Subtle Trap of Trading

I've got some good news and bad news for you.

The good news is that in your hands you hold the short cut to making the dreams you started with a reality. The bad news is that this is still going to take some dedication and work on your part. That's not really bad news, though. If you're willing to do some work, then this course may save you tens of thousands of dollars that you had to earn in the first place.

If you're willing to do what's given to you in this course, then you'll find a sense of calming reassurance that you are capable of being successful as a trader, and you'll enjoy the lifestyle that you're hoping for.

The markets offer returns not found in most arenas of investing, and for those who properly prepare and keep their head on straight along the way, life is very good.

This is no different from life itself. You'll get out of it what you put into it.

Who this course is for, what it will cover, and what it won't cover.

In a nutshell, this course was created for those who are not enjoying their trading. Trading can be a wonderful, fun, exciting, profitable, educational activity that done right, can provide a nice living for you.

If the above doesn't match up with your experience, then you're in the right place.

Many people come into the markets, having heard numerous rags-to-riches (almost overnight) stories, how easy it can be, how some average Joe borrowed a \$1,000 on his credit card and in 30 days parlayed it into

The Subtle Trap of Trading

\$100,000 without breaking a sweat and only working at it 20 minutes a day. Good sales job selling the dream, better than the lottery and Publisher's Clearing House. Too bad they don't tell you about the emotional fire-breathing dragons that can turn you and your money into ashes.

While the fantasy sounds great, it is far from reality. You'd better come to the markets properly suited for battle, ready to take on the dragons of fear, doubt, anxiety, greed and others, or your chances of survival are slim.

The statistic of 90% of people coming to the markets, losing their money and leaving is a long-standing figure, and one that's there for a reason. The markets don't care about you and like it or not, you have absolute no control over the markets. They'll do as they please, whether it makes you rich or poor.

The 10% who are successful are largely comprised of people who started out just like you and I did: not knowing much about trading nor what it's like to deal with the incredibly strong emotions that come into play in trading. Even some who've come, lost and left, return somewhat tempered and start off better the second time around, only to experience some success over weeks or months, then fall back into their earlier patterns that bring ruin.

For most of the truly long-term and successful traders, their achievement of their current position has come at the price of years of struggle and going through the cycles, plus all the money lost in the process. Many prominent figures in the trading world have said that it took them 15-20 years to become an established and consistently successful trader.

For you and me, that is not a pleasant prospect – struggling for years before we get to the dream that we had when we came here. There is a way to shorten the tunnel and bring that light considerably closer. This course is intended to be a most-direct route to that point.

The Subtle Trap of Trading

In this course, we'll be talking about what you as a person, need to do to strive to become a successful trader so that you enjoy your trading, in all aspects. This is not for someone who thinks that I'm going to give you a 15-minute "how to" while you just sit there and do nothing, and then tomorrow morning you'll wake up and everything will be all roses.

This course will be enlightening, enjoyable, and some work. The exercises themselves are not that difficult, but they are challenging. I am going to challenge you and push you to challenge yourself. While some of the realizations may be uncomfortable, you're here to get results. The areas of change that you asked for by purchasing this course are changes in you. It is exactly in your skill sets, your perceptions, your understanding and your emotional control and clarity where we're going to make some changes, so that you see the results in your trading experience.

I'm here to share what I've learned from all my experiences and the studying I've done over the years, and how it will help you in your trading. I'll share with you, give you exercises to do, ask you questions and guide you along a process that will have you way better off than you are today. You have to decide right now, though, that you are going to do the exercises, that you'll be sincere in your effort and honest with yourself in answering the questions. If you can do that, you're halfway there just by making the decision to do so.

What this course will NOT cover.

I am NOT going to make any recommendations regarding which system you should use. There are dozens of different systems, indicators, and methods for trading. Which one you use is a personal choice that should be based on your emotional style (I'll help you figure that out) and what is the best fit for you. Every person is individual; you have your own personality and should

The Subtle Trap of Trading

choose the one that feels right. I don't know of any "one-size-fits-all" trading program that is the right one for everybody on the planet.

I am NOT going to recommend that you choose any particular markets, software programs, computers, trades, or anything else that is part of what I consider the "hard-side" of trading, the technical side. I'll help you figure out which is best for you.

Trading is a personal matter. You are who you are and you should play the game on whichever field you like, with whatever tools and equipment you want. What you use should be based on what "fits" best for you. Those are your choices, your decisions.

Let me ask you a quick question. If I knew what the price of gold, the British pound, crude oil and soybeans were going to be 30 days from now, would you care if I shared that with you in a 1,000 page novel or if it were written down on a matchbook cover? No, of course not. You'd probably prefer the matchbook. It's the information you want, not reading time.

I've made this course concise and complete. You want to be successful. You want to be able to treat trading like a business and keep your head on straight while you're trading. You want valuable and useful information that you can get through in a short period of time.

The primary purpose of this course is to help you dramatically shorten the time curve to getting you where you want to be as a trader and save you painful losses and money. You're going to be fitted with your own suit of armor, so that you and your money are well protected on the battlefield of the markets.

Time is money. Let's get started.

The Subtle Trap of Trading

The Trap: Why So Many Smart People Don't Make Money Trading,...

While researching, I discovered a very subtle, almost hidden phenomenon that occurs that gave further insight to why hundreds of thousands of otherwise successful people with above average intelligence just can't seem to cut it as a trader. What I'm referring to is something that happens. It's not a character trait, and that's why I'm revealing it separately here.

I know several brokers who've been in the markets for years, and they all have dozens of stories of how they've had clients that were very astute individuals, and very successful outside of their trading. The clients seem to have all the right characteristics, but for some strange reason, they would do things in their trading that they wouldn't dream of in their business life. The brokers keep scratching their heads and wondering why so many people seem to lose their minds.

The reason why, the "Oh my gosh, what has happened to this person?" has been so elusive and it is frustrating not only for the brokers, but for the traders as well. The traders are the ones losing their money with the almost irrational behavior.

The reason is what I call the Subtle Trap of Trading, and you'll find it in both the Futures, Stocks and Forex markets.

As you read this, you may have the same thought that came to me, that it sounds like a conspiracy, although I don't really think it is. But the "system" sure does seem to work in the favor of a few at the expense of many.

Everything involved is very upfront, but when you take a deeper look at how everything works together, you'll come to understand what no one else does and why so many people wind up frustrated, confused and losing money in the markets.

The Subtle Trap of Trading

I call it a trap for good reason. Most traders struggle and continue to lose money until their account is wiped out. Sometimes it even has them so trapped that it goes beyond their account into non-risk capital.

Here's how the whole thing starts.

Way back when, you heard about investing in stocks, the long term type investing, not day trading. You were cautioned to do research before investing your money and to learn the things that made for a good company to invest in. Perhaps you even joined an investment club, but most likely you at least had a mentor or parent that gave you some good sound advice.

You were also taught or figured it out on your own, that there's a lot to learn when investing in a company. The industry, market position, current management, their track record and competitive advantage, how to read the company's financial statements and annual reports, etc., etc. Lot's to learn.

Be safe and choose wisely, you're in it for the long term. Good advice.

Perhaps you did some long term investing, perhaps you did what many do and let your investing consist exclusively of mutual funds and your 401k. Much safer, simpler and easier to do, no doubt. Also well within the comfort zone for most.

Somewhere along the way, you heard about the wonderful world of the commodities markets. You hear how simple the whole concept is and the wonderful leverage that's involved. The first impression is usually "Wow!"

Now here's where the trap is set. Pay attention, this is very subtle, but incredibly potent in its effect.

The commodities aren't companies that require research to understand. They're goods that you grew up with. Gold, silver, wheat, soybeans, cattle, corn, sugar, natural gas, oil, etc. Loads of familiarity here. Now you learn

The Subtle Trap of Trading

how the futures contracts are made, about the ability to control contracts with only a marginal investment. Again, simple enough to understand.

So you decide to find a broker and open an account.

First thing is to go through all the disclosure documents where you acknowledge the risk involved, that you're only trading with money that you can actually afford to lose, that it isn't borrowed, and that it's money that is truly risk capital, money that if lost, won't affect your livelihood or your ability to provide for your family. The NFA is just looking out for you.

Next, you send in your money to fund your account.

All this sounds familiar, right?

So here you are, money in hand with big dreams and high hopes. You've probably had your expectations of the possibilities raised considerably because now you've talked to your broker who shares their particular strategy or specialty and they've also sent you some charts to look at and some recommendations on markets that they're watching.

That's okay, that's their job and they're supposed to do that.

Side note: if you went straight to electronic trading, then you've had to educate yourself without broker assistance, and that often amplifies the effect of the trap. Read on.

You acknowledged the risk, you've digested as much information as you can in a short period of time and now you're ready to place your first trade.

First good opportunity comes along and now you actually get your feet wet. You're excited and you watch that trade, the markets, the news with great anticipation. You're learning more and more as you go, including the fact that there's a whole lot more to this trading business than you first thought.

The Subtle Trap of Trading

A lot more.

But it's too late. You're hooked

Now, it doesn't really matter what happens on your very first trade. You see the potential and you know the money's there for the taking.

It doesn't take long and you get to experience some of the events that will inevitably occur to new traders:

- you get stopped out, then watch the market run the direction you predicted. But you're out.
- you hesitate to enter a trade, and either miss out on the trade altogether or you just miss out on the profits.
- you hang onto a trade too long and watch your profits disappear
- you continue to hang onto a trade until it becomes a large loss
- you sit on the sidelines and see other markets running, knowing the huge money that's being made

During this time, you feel the torrent of emotions that come into play: anticipation, excitement, anxiety, greed (I remember my mouth actually watering the first time I saw my contracts doubling my "investment!"), fear, regret, anger, blame, elation, shame, so on and so on. The list is long, and the emotions are powerful, and they just pull you further into the trap.

It doesn't take too long and you've had several trades lose money. You're getting frustrated because things aren't working out like you'd come to expect. The chart patterns are getting confusing and the indicators you've been using have let you down. You're looking for other indicators, and the urge to deviate from your system or method is now getting very strong. You want to find a system or strategy that will give you the edge and allow you

The Subtle Trap of Trading

to beat the markets. You've got a competitive nature, and you know you're smart enough. You want to win!

At this point, unless you are a robot or have ice in your veins, the trap has been set and you have been caught.

Okay, I've laid out the normal series of events that occur for new traders. Sound at all familiar?

Did you see the trap? Here it is.

There are several things that are working in combination that make up the trap. I'll cover the components of the trap and show you how they work together to empty the accounts of hundreds of thousands of very astute and highly intelligent people every year.

Here are the components of the subtle (mental) trap of trading.

1. Familiarity with what's being traded.
2. The risk disclosures and the tremendous focus of awareness on risk.
3. The implied simplicity of trading
4. The implied notion that trading is investing.
5. You are allowed to begin trading without any required training. Very few traders are taught how to properly and thoroughly plan a trade *prior to entering their first trade.*

Now let's look at how these components turn very intelligent and successful people into traders that struggle, make un-wise decisions and lose inordinate amounts of money – *willingly*. Here's the trap.

The Subtle Trap of Trading

1. The Familiarity.

We're not afraid of things we're familiar with. By the time we reach adulthood, we're very familiar with money (Forex and the currencies) and the goods traded in the commodities markets. These things aren't nearly as intimidating to our intellect as analyzing a financial statement of a company, or absorbing all the information that's involved in market position and competitive intelligence. Wheat, crude oil, gold. These kinds of things are intellect-friendly, and we're comfortable with them because we grew up with them.

The familiarity creates a built-in over-confidence regarding our knowledge of them. Since they are easily visualized in familiar images (corn, wheat, oil, gold), we feel familiar with them and have the notion that we already know a good bit about them. In our minds, we're thinking that we've already "got it", and the caution to challenge our limited knowledge of trading isn't there like it was the first time we thought about picking a company to buy stock in. That was intimidating because it was unfamiliar, so we were cautious. That usually doesn't happen here.

This is false over-confidence. Just because you've bought corn in the store, you know what corn is, how it taste, that it grows in fields and not trees, doesn't mean that you know squat about how to trade it in large quantities like thousands of bushels in the markets. The nature and the complexities involved in profitable trading go way beyond what virtually everyone has experienced in their lives before trading.

This false over-confidence, this fearlessness, results in a catastrophic action: starting off way too far up the learning curve. This represents a huge obstacle to learning.

The Subtle Trap of Trading

The world of trading is an entire industry in and of itself and includes a huge body of knowledge. Most bodies of knowledge have gradient to them, a progressive learning curve. In math, for example, here's the progression: counting, addition, subtraction, multiplication, division, fractions, decimals, algebra, trigonometry, calculus, etc. If your starting point is fractions, and you never got taught the counting, addition, subtraction, multiplication and division, you're going to have a *very* difficult time. You *will* struggle.

2. The risk disclosures and the focus of awareness to risk.

I've read it several places and found one thing to be true: often, the most successful traders and investors have a low tolerance for risk. Take Warren Buffett's rules for investing: 1. Never lose money. 2. Never violate rule #1. I may be paraphrasing, but those are his rules.

The NFA makes it a requirement of all brokers to have all clients acknowledge the high risk involved in trading, and that's a good thing. Can't let people trade and risk money without acknowledging the risks that do exist. Can't say you weren't warned.

But there is an interesting affect of that risk acknowledgement. It subconsciously raises a person's risk tolerance. By actually putting your name to paper that you're accepting and acknowledging the risk, your tolerance for risk goes up. Even if you're nervous when reading the disclosures, your fears of risk are suppressed through your putting your name on paper that you accept the high risk.

Combined with the false over-confidence that comes from the familiarity, the conscious acceptance of the high level of risk has now both consciously and subconsciously prepped and primed the new trader to take large risks, to be "risky".

The Subtle Trap of Trading

3. The implied simplicity of trading.

The basic premise of futures contracts, whether commodities or currencies, is very straightforward. My 10 year old son is able to understand it. Options are pretty easy to grasp as well.

The act of opening an account, having a broker provide a recommendation based on their strategy and in a market that they monitor, then placing the first trade, is easier than buying your first piece of real estate or assembling a stock portfolio.

For most people, the act of placing trades itself is so simple that it implies simplicity in the business of trading.

Combined with all the gurus out there marketing the heck out of their home-made systems and "Get rich quick" presentations, the whole process is made out to be simple, fast and easy.

This subconsciously reinforces the notion that "I can just jump right in and start making money", the false over-confidence. This notion usually precludes any inclinations that more is needed to be learned to be successful.

4. The implied notion that trading is investing.

Many people discover trading through the stock market or other traditional investing channels. Others hear about trading termed as "high-yield investing". Regardless, trading is usually associated with the investing world more so than anything else, especially in the mind of the newcomer.

Trading *can* be called investing in the light that *all* investments involve putting money in with the anticipation of return and they all involve a certain amount of risk.

The Subtle Trap of Trading

But just because a person is involved in activity that includes putting money in with the anticipation of a return and there's risk involved, that doesn't make it investing.

Trading is often likened to gambling and for good reason. There are loads of parallels. Here are several, with the gambling jargon in parentheses.

- There's a lot of action and things move fast
- There are probabilities (odds)
- There are numerous uncertainties like the weather, governments, the news, related markets, etc (the other players at the table, 52 cards in the deck, 11 possibilities on the dice, 32 numbers on the roulette wheel, etc.)
- The emotions involved in high risk trades (high stakes games) require a high level of control
- Clouded thinking from emotions (and/or alcohol) results in big losses
- Everyone wants to beat the markets (or the house)
- There's big money involved
- Most traders (and gamblers) lose most or all of their money and go home empty-handed
- Wagers are being placed in every transaction

You're thinking that trading isn't wagering? Sure it is.

Have you ever seen the movie "Trading Places" with Dan Akroyd and Eddie Murphy? Yeah, the one where they take Eddie off the street and have him run their commodity brokerage? When the Duke brothers are explaining the

The Subtle Trap of Trading

commodities markets, how they work and what the firm does, Eddie pipes up and says, "Oh you're like bookies!" He then is immediately able to give them good trading advice, because he understands betting, not because he instantly absorbed everything about the markets, he just understood the essence of trading: betting!

You thought you were getting into some high-yield *investments*. You didn't know that you were getting into a betting game.

Every time you buy or sell a contract or option, you've placed a wager: you're betting that the market will do this, and the person on the other end of the trade is betting that it will do otherwise.

One of the biggest differences between Vegas and the markets is that in Vegas, if you make a bad bet (trade) you're stuck with it. In trading, you can "get out" of a bad bet by making a different one.

The incredible aspect of trading is that there are so many traders playing the game, that no matter how ridiculous the wager, there is usually someone out there who will take the bet!

Why do you think that your broker will caution you about the "thinly traded" markets? Oh yeah, because if the market makes a big move, your stop may not get filled. But what is getting an order filled? Someone taking another bet. You might not get your order filled because there are only a few other traders in that market that will take your "get out" bets.

The seasoned veterans know to avoid the sucker bets to start with, while the naïve newbies are taking the risky wagers with hopes of a big payoff.

Trading is a battle of wits, you against the trader on the other end of every trade. It is competitive and involves people. It is more a game of emotional control and discipline than it is of placing trades. Placing trades is the easy

The Subtle Trap of Trading

part. Keeping your head on straight and sticking to a proven system are the hard parts.

Where the subtle mental and emotional trap the exists in trading gets people is that the whole activity is presented as a form of investing (which carries the images and connotations of long-term investing), while the truth of the matter is that it is really a game of betting in a room of a thousand other betters. There's a huge deflection of the realities of the nature of the activity.

Extremely few people are naïve enough to think that they are going to go to Vegas and make a living gambling, unless you were VERY prepared. Most know that they'll go, lose their money and have a good time. Too many people enter the markets though, thinking that they can just jump right in with virtually no preparation and make money. Doesn't work that way.

Now that I've gone on about the parallels between gambling and trading, here are some truths: In Las Vegas there are gamblers and there are professionals. In trading there are traders and there are gamblers.

Just for clarification and in fairness to the true professionals in the industry, let's take a closer look at what ***differentiates*** gamblers from traders.

From the dictionary, the definition of gamble is

verb. gam·bled, gam·bling, gam·bles

verb intransitive.

1.

a. To bet on an uncertain outcome, as of a contest.

b. To play a game of chance for stakes.

2. *To take a risk in the hope of gaining an advantage or a benefit.*

3. *To engage in reckless or hazardous behavior: You are gambling with your health by continuing to smoke.*

The Subtle Trap of Trading

Verb transitive

1. *To put up as a stake in gambling; wager.*
2. *To expose to hazard; risk: gambled their lives in a dangerous rescue mission.*

noun

1. *A bet, wager, or other gambling venture.*
2. *An act or undertaking of uncertain outcome; a risk: I took a gamble that stock prices would rise*

We should also look at “calculated”

cal·cu·lat·ed

adjective.

1. Determined by mathematical calculation.
2. Undertaken after careful estimation of the likely outcome: took a calculated risk.
3. Made or planned to accomplish a certain purpose; deliberate
4. Likely; apt.

And “risk”

noun

1. The possibility of suffering harm or loss; danger.
2. A factor, thing, element, or course involving uncertain danger; a hazard: "the usual risks of the desert: rattlesnakes, the heat, and lack of water" Frank Clancy.
3.
 - a. The danger or probability of loss to an insurer.
 - b. The amount that an insurance company stands to lose.
4.
 - a. The variability of returns from an investment.
 - b. The chance of nonpayment of a debt.
5. One considered with respect to the possibility of loss: a poor risk.

The Subtle Trap of Trading

True traders engage in the following:

- have rules for their occupation,
- have a system,
- take *calculated* risks and manage that risk diligently,
- manage their money,
- play to their strengths,
- have purpose and the intent of being ahead at the end of the month.

Bottom line is true traders don't gamble. While they have to deal with the uncertainties of the markets just like everyone else, *their* outcomes are not uncertain. There are multiple possibilities on any given trade, but the outcome of each of those possibilities is NOT uncertain for the professional. They know how each possible market move will turn out for *them* – because they have a system they use and a plan for every trade. The pros know that they better go into each trade prepared, or the odds are against them.

Gamblers in either arena will often do most or all of the following:

- fail to practice and build skill,
- fail to plan (or at least do so inadequately),
- fail to manage money
- fail to calculate and manage their risk
- go outside their rules (if they have a complete set),
- deviate from their system,
- take impulsive risks,
- fail to focus on the process of what they are doing. They get caught up in the excitement and emotions.

Generally speaking, gamblers are *playing* a game of chance and behaving recklessly, largely for the thrill. Traders have specific intention integrated into all their actions and take *calculated risks* with the purpose of profit.

The Subtle Trap of Trading

5. No training requirement prior to trading.

This aspect of trading is a great indicator of our free society, but at the same time, it leaves the people entering the arena open to ruin.

In combination with the other factors above, this is the big sinker of ships.

People enter the markets with a false over-confidence, their risk tolerance stretched, a "Get rich quick" attitude, and a false notion of what the essence of the activity is itself.

They get busy placing trades with the sincere anticipation of actually making money at this, and then are caught in a storm of emotions that they're not ready for.

By the time things start to go wrong, they've become emotionally hooked, established habits and patterns, and since they've encountered the obstacle to learning of jumping ahead on the learning curve, now they're stuck. Their pride won't let them back up, identify the real skills they need to build, learn the things they truly need to know, and treat their trading like a business.

So they continue to trade at the point where they are, and try to operate at a level beyond their true competence and proficiency. Problem is, they are NOT proficient.

They've been converted from astute business people with a healthy sense of caution into risk-taking, gambling addicts in a very short period of time. That may sound harsh, but it's why so many people lose so much money, willingly every year.

They didn't start that way, but they got caught in the subtle trap of trading and got converted.

The Subtle Trap of Trading

Once the victim is caught in the trap, the intellectual desire to understand and the emotions that work on the person usually keep them in the trap until they suffer the financial death and leave trading, whether temporarily or permanently.

So why did I share all this with you?

To raise your awareness to what really is at the root of your frustrations so that you can protect yourself, and direct your energies in the right directions.

Here are some of the challenges that face traders who've been caught in the trap.

1. You've jumped ahead on the learning curve, and your brain is going to continue to "short-circuit" until you either back up and master the basics, or until you intuitively "get it" through the painful losses.
2. You're emotionally involved in your trading, and involved to a fairly high degree. This will cloud your thinking and keep you from doing the right things.
3. You've already been conditioned to:
 - a. See trading as investing, which it is NOT. It is betting.
 - b. Accept an unhealthy level of risk in your pursuit of payoff.
 - c. Think of what you're betting on as something familiar. Generally speaking, trading is trading regardless of what is being traded. It doesn't really matter if you're trading commodities, currencies or plants.
 - d. Live with the discomfort of trying to plan your trades insufficiently.

The Subtle Trap of Trading

- e. Accept the losses as an ordinary part of things.
- 4. You still have some learning to do, but you're used to operating in the mode you become accustomed to. You've already established your pattern of behavior, such as entering trades without properly and thoroughly planning them out.
- 5. You need to treat your trading as a business, taking into consideration the parallels to gambling.
- 6. Your expectations (intellectually and emotionally) are set - you're hooked.

What can you do about it though, if you're caught in the trap right now?

Here are the seven steps to follow, to get out of the trap and avoid financial death, without having to chew off your arm.

(end of book sample)

For resources to help you implement this formula, go to
<http://www.insideouttrading.com>

For more information on the Law Of Attraction Videos, go to
<http://www.spiritualinvestor.com>

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