



How to Get in the Trading Zone Like an Elite Athlete



LESSON #17



HOW TO GET IN THE TRADING ZONE LIKE AN ELITE ATHLETE

"Complex activities are best performed with only a moderate amount of emotional arousal." – Ari Kiev, Market Wizard

To trade effectively, you need to learn to function in a tense, unstructured, and unpredictable trading environment.

In this type of environment, a lack of focus, indecisiveness, and a preoccupation with past (or future) failures are all significant impediments to performance. Rather, traders function better when they are in the zone – a state of intense clarity in the present moment from which they emanate confidence (but not arrogance).

Getting in the zone is not something that magically occurs when your luck is in. It can be done regularly with the proper mental and physical preparation. Like an elite athlete preparing for a gold medal race, being a top trader requires hard work and the right mental strategies.

Stress management for traders

"If stress increases without a corresponding increase in your ability to handle it, your adaptive mechanisms begin to break down, and you experience nervousness and decreased confidence." – Ari Kiev, Market Wizard

When you feel anxious or depressed about your trading, it is your thoughts producing a stress response in your body. This is a biological activation of the pituitary and adrenal glands, the thymus, the hypothalamus, and the thyroid system. It is a physical reaction to your thoughts, in relation to traumatic experiences (such as a previous loss, or your perception of a future loss).

These bodily triggers cause emotions that can interfere with, (or worse, hijack) the decision making process. They are also the enemy of a receptive state of mind, as the focus shifts to the stress event and ignores the full spectrum of input that the trader could and should be experiencing.

Needless to say, a highly stressed trader is going to have trouble getting into the zone. In fact, stress does not exist when the trader is totally focussed on the moment. Stress arises out of thinking about the past or future, both of which **do not exist** in the NOW.

Goal setting as a performance tool

"It is a little bit like playing golf: You can throw the clubs around after making a bad shot, but while you are making the next shot you should keep your head down and your eye on the ball." – Richard Dennis, Market Wizard

In lesson #3 of this course, we talked about goal setting as a step in defining your [position sizing model](#),

your approach to the markets, and to help you get clear about what you really want out of life and trading.

In this lesson, goal setting is a critical management tool used to direct both your creativity and focus in the pursuit of achieving a near-term stretch goal. You select a daily, weekly or monthly goal, that deep down you believe you can achieve, in line with your current methodology and financial resources.

You then devise a strategy to achieve that goal. You learn to isolate and pay sharp attention to the most critical elements of achieving your goal, and eliminate non-core activity.

Stretch goals help you define the strategy that it takes to win

“If you reach high, you might just amaze yourself.” – Richard Driehaus, Market Wizard

“The goal medal winners are always stretching for a goal that is uncertain.” – Ari Kiev, Market Wizard

By giving yourself an aspirational goal, you stretch your mind and challenge yourself to figure out how you are going to get what you want from the markets.

This is why a goal that does not push you generally fails to produce the results you are after. Market Wizard and trading psychologist Ari Kiev relates a story in which a young skating star’s coach was undecided if he should push for a gold medal in the up and coming world championship, or focus on the more distant Olympics. He was worried about the impact that a failure to succeed in the world championships might have on the youngster.

Kiev urged the coach to go for the gold in the nearer event, but to make sure that he came up with a strategy that if executed could achieve the goal. This involved learning new skating skills and a new demeanour for his skater, who was known as an “ice queen”. The first step is committing to the vision, and the second step is to organize a strategy for realising it, suggests Kiev.

Traders should continually ask themselves what it is they need to do to produce the results they hunger for. How can they get better or more ideas? What information do they need to formulate a [variant perception](#)? What can they do that would give them the confidence to take bigger positions? What is missing from their strategy that is holding it back from achieving their goals?

The goal setter’s paradox

“To express your vision from within your creative self, you need to let go of your concerns moment by moment and stop trying to manage the future. You should focus only on what you can do in the next moment...stay present to the moment before you, and, in time (much to your amazement), you will find yourself in the process of actualizing yourself – becoming what you have set out to become.” – Ari Kiev

After the goal and the strategy to achieve the goal are established, detachment from the goal becomes necessary. This is the goal setter’s paradox.

Once a goal is established, top traders use it as a guide to assess and evaluate the effectiveness of their actions in the now. You want to focus your energy, attention and drive on the actions that are critical to achievement of the goal, but not the goal itself.

To illustrate this point, Kiev uses an example from a book called *Zen in the Art of Archery*:

"[The Author]... studied with a master in Japan for five years. At the end of his time in Japan he realized that he didn't even have to look at the target, since it wasn't about hitting the target. He can hit the target with his eyes closed. It's all about being in the right position internally and allowing the arrow to be released from the pull-back position without putting any consciousness on the release of the arrow. You let go of the arrow and it surprises you. It goes without anything impinging on the arrow to misdirect it."

If you focus on the process behind the goal, you can achieve your goal simply as a by-product of mastering the process. The goal is the roadmap that helps you notice if your processes are on track or not: your attachment to the goal starts and ends there. A focus on the goal itself generates emotional responses that impinge on its achievement.

Finding your centre

"I feel like a ninja in a fight. In other words, when it comes at you, it seems like slow motion. OK, it is what it is. Because there's a calmness. So when there's a calmness, I can deal with it in a better way. Whereas, when there's that anxiety, it all seems so fast and less I am in control." – Ray Dalio, Market Wizard

"Previous hands mean nothing." – Mark Minervini, Market Wizard

Being able to give yourself to trading in the fullest most present sense while remaining relaxed is the cornerstone mental state for trading. You are in the zone, totally focused on the current moment – free from the negativity that arises from past losses, or anxiety from a future expectation.

This state allows for clarity in the decision-making process, non-consensus thinking, and immediate action during high-pressure situations. This is true of both day traders who are stalking opportunities over the short-term, and long-term traders who are looking for conviction about their positions, or for new ideas to deploy their capital.

Again, Kiev uses the example of an elite athlete to illustrate this point. After the slow start to his career that almost saw Baseball legend Sadaharu Oh warming the bench for his team, the Tokyo giants, he met a master who encouraged him to discover his "ki" or his centre when batting. Once he integrated this practice into his batting, he went on to become the all-time career record holder for home runs hit in the history of baseball.

Relaxation is the key

"Meditation, more than any other factor, has been the reason for what success I've had." – Ray Dalio, Market Wizard

Tension is the enemy of the trader looking to enter the zone. Tension gives you blinkers that hamper creativity and cause mistakes. In contrast, a relaxed state of mind, in which you simply and humbly respond to events, as per your plan, is much more effective for trading.

There are plenty of techniques that can help you relax, including meditation, contemplation of a phrase or idea, physical relaxation through Yoga, and many others. It will be a matter of personal preference, time and resources as to which method you choose.

What's important is not so much the method, but the "empty minded" state that relaxation helps you to achieve. You want your mind quiet and focused on the task at hand. In that state, any tension you feel will dissolve.

You will find that, until you are well practiced, you will catch your mind wandering. That is ok. Don't judge

yourself, instead bring your mind gently back to the task at hand. Don't try and resist any discomfort. Rather, coolly detach and observe it, like an objective outsider to your own mind.

Practice the relaxed state as much as possible. If you are doing the dishes, then do them calmly and consciously. If you are taking the dog for a walk, notice what is going on around you. Exist in the moment, not in your past or future. Work hard to eliminate any sources of stress from your life.

Do the preparation work

"It is a question of being prepared, having a game plan, having an ability to react to market movements. It is like tennis. You have to know where your racquet is and keep your eye on the ball and then maximize the performance by playing intuitively." – Ari Kiev

To use another sporting example, master cricket batsman Ricky Ponting would say to himself "watch the ball" as the bowler ran in to deliver it. By focusing on that one simple mantra, all distraction and preoccupation with his batting technique would disappear. His training would kick in and he would play the ball on its merits.

The important point here is that Ponting had prepared himself so well for whatever type of ball was bowled at him, that he was able to completely exist in the moment with it. If Ponting had walked out to the pitch ill-prepared for what was going to come his way, then no matter how much he focused on the ball, he would not have the skills to handle a cricket ball coming his way at 140-50K an hour.

Similarly, if he was overly preoccupied with his technique, the hundred runs he wants to get, or the duck he got last innings, then all the preparation in the world is not going to help him.

It is the same for traders. You need to have done the homework that gives you the conviction in your ideas to be able to execute them, and then have the consciousness not to make emotional mistakes.

Develop mastery of your core trading skills

"People ask me all the time, "How long do you think it will take for me to succeed?" I tell them "three to five years of twelve-hour days and losing money." Very few people want to hear that." – Mark Cook, Market Wizard

Vince Lombardi is one the most renowned NFL football coaches of all time. He won five NFL play-offs in the space of seven years, and never coached a team with a losing record. He did this all by pursuing a relentless focus on the basics.

He started the 1961 Green Bay Packers' training camp with the most elementary statement of all: "this is a football", and held up a pigskin ball. The Green Bay Packers had lost the final in the last season by squandering a 4th quarter lead to the Philadelphia Eagles – they were not a bunch of raw recruits. During the year, his team joked with him that he was going too fast for them when he was making them work on perfecting the tasks players at this level usually took for granted. In 1961, the Green Bay Packers won the Super Bowl by 37-0.

As a trader, it is perfect execution of the basic trading skills that will generate your results. Not increasingly complex techniques or theories. The markets are simple, in that the price moves up and down and sometimes trends. It forms chart patterns based on human psychology, and responds to fundamental developments in the country of that currency.

Practice sizing your positions in-line with your conviction, cutting your losses short, letting your profits run, and being receptive to the information that the market provides you. Time spent mastering these basics will be much better than studying Elliot Wave Theory, Fibonacci levels, or other esoteric trading approaches. Far better to ingrain the basics in your subconscious so you perform them automatically without a moment's hesitation or thought, even during situations that generate extreme levels of stress.

(Note: I'm not saying Elliot Wave, etc., are not useful tools for analysing the market, and I don't want to alienate traders that believe in them (several good traders I know use these techniques well). Just know that you will get better results by focusing your energy on the more important core skills.)

Use visualization and mental rehearsal techniques for perfect practice

"Mental rehearsal will go a long way toward improving performance." – Van Tharp, Market Wizard

Visualization and mental rehearsal techniques are very useful tools for traders looking to get in the zone. Van Tharp relates the story of the US Army's top two Snipers. Both were incredibly accurate shots, and both believed in mentally rehearsing their performance prior to putting their skills to use on the shooting range.

But one sniper in the pair always out-performed the other in shoots. One of the differences (if not the core difference) between the best shooter and his off-sider was in the way they visually rehearsed for the event the night before. The second best shooter would visualize himself hitting the bullseye with each shot.

In contrast, the top performing shooter would not only visualize himself hitting the bullseye as he fired his shot, but hitting the very centre of the bullseye. He also believed that he needed to practice the entire 1000 round event in his mind the night before, as opposed to practicing a few times as the second best shooter did.

Van also tells the story of a professional cyclist who was worried about a certain dangerous situation occurring that had seriously injured a friend of his. This particular scenario was not something he could practice in real life. So, to safeguard himself, he formulated a plan about what he would do if it occurred, and he rehearsed it several times in his mind.

One day, about a year later, he was involved in the situation he feared, and he reacted in exactly the way he had rehearsed, by flipping the bike out from under him and landing on his feet. This pre-programmed reaction saved him from serious injury, and simply would not have been in his resources if he had not prepared thoroughly beforehand.

Similar to the examples above, traders can use visualization techniques to mentally rehearse both the perfect execution of their trading plan, and their response to a situation where one of their contingency plans need to come into play. When doing this as a trader, it is important not only to plan how to manage risk, but how you can potentially capitalize on a scenario.

The Tao of Forex Trading

"I focus my total attention on trading well, and let the results take care of themselves." – Tom Basso, Market Wizard

Take a moment and imagine that you are relaxed, calm and centred. Aware of, yet detached from your goal. You have a clearly defined plan to achieve your goal, and you have all your mental resources at your

disposal, because you know exactly how to handle stress.

Now imagine you are also able to implement your core trading skills unconsciously and automatically, without a moment's hesitation. Imagine you have practiced the perfect execution of your plan thousands of times in your mind's eye.

Finally, add to that, you have practiced thousands of times what you will do if one of your contingency plans needs to be executed, and feel ready for anything the market might throw at you.

Now hold onto that mental picture and answer this question: How well do you think you would trade?

Until next week,

Sam



Course Work

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