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The

TRADER'S PENDULUM

+ website

The 10 Habits of Highly Successful Traders

JODY SAMUELS

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The Trader's Pendulum

The 10 Habits of Highly Successful Traders

Jody Samuels

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This book is dedicated to my loving family: my husband, Malcolm, and daughters, Jackie and Rebecca.

Foreword

The Trader's Pendulum – The Ten Habits of Highly Successful Traders is an honest, educational and most importantly, an enjoyable book to read. Jody Samuels' style makes concepts understandable. She writes as she speaks: with simplicity and clarity; this comes from her many years of experience turning willing traders into consummate professionals.

I love reading books. The ones that have left a lasting impression on me have one thing in common: They grabbed me in the first chapter and held me to the final word. *The Trader's Pendulum – The Ten Habits of Highly Successful Traders* has done just that. That is why I strongly recommend this book for the complete novice; not only is it an enjoyable read, but it is written from an understanding of your perspective.

The veteran trader should also read this book. You will find yourself enlightened by Jody's depth of understanding in specific areas. It will allow you to open your mind and stretch that little bit further. I know the commitment to being the best trader you can be comes with the understanding that learning never stops.

Understanding that “engaging in a coach is an investment not an expense” is so meaningful to me because Jody stopped my journey from heading in the wrong direction.

I have been fortunate enough to be one of Jody's coaching clients. I worked one-on-one with Jody as she showed me how to pave the way to my dream of becoming a full-time, million-dollar currency trader.

As a child, I always knew I wanted to be self-employed, free of having a boss. I wanted to make good money based on my decisions, and I wanted freedom to travel and explore while I spent the money I made helping out where I could. Even as a child I always dreamt big.

I spent years thinking, reading, and growing to better understand what I was looking for and how it could be most effectively expressed. My belief was if I knew exactly what I wanted, then planning the path to attain it would be more obvious. My search for understanding allowed me to find three little words that were simple, but extremely powerful.

Autonomy, Purpose, and Mastery

Autonomy: I wanted my decisions to have a positive impact on outcomes. I wanted to be accountable for how I thought and the actions I took. I didn't want to belong to a corporate structure where progress wasn't always based on merit.

Purpose: I wanted to know that with financial independence I could contribute to something bigger than myself to help make our world a safer, happier, and cleaner place to live. That is truly empowering.

Mastery: In our core we all want to master something. I believe this is why so many hours are dedicated to playing a musical instrument, learning to cook complex recipes, or improving our golf game. Mastering anything is frustrating and difficult, but it gives our souls absolute pleasure as we improve at our chosen task.

Eventually, I knew what I wanted, but I was unsure as to the vehicle required to take me there. The day I placed my first trade I knew I had found my answer. I found something I loved to do and solved the question of how to find autonomy, purpose, and mastery all rolled into one.

Trading became my passion. I could sit at home and make money. I could take holidays and still make money. ~~My friends were envious. For me, trading is the perfect job, but with any job it takes time, patience, and experience to become proficient. During my struggles, I met Jody Samuels.~~

Many times, I stumbled, but Jody never gave up. When I doubted myself and was confused and frustrated, Jody held strong. When I lost sight of the bigger picture, Jody did not. Jody brings understanding and compassion to her work.

While reading *The Trader's Pendulum – The Ten Habits of Highly Successful Traders*, I found myself enjoying the compare and contrast theme as the pendulum swings. There were different moments when I laughed because I knew the central characters well enough to say I have met them because at any stage they were me. With Jody's help, I now trade in the middle of the pendulum.

For many years, Jody traded successfully in the highest echelons of the banking industry before transitioning into a highly acclaimed, internationally recognized Trading Coach. When you combine all her experience, understanding, and commitment to seeing others succeed, you can understand why *The Trader's Pendulum – The Ten Habits of Highly Successful Traders* is an absolute must-read for you.

Now you are holding this book, and you are confronted with a choice:

Either you do nothing, or you take the first step in changing your life forever. A step toward your own personal freedom and a lifestyle envied by your friends and family.

I wish you good luck and happiness with your decision.

Kel Tal
Professional Currency Trader
Queensland, Australia

Acknowledgements

For me, writing *The Trader's Pendulum* is really putting a story about my trading business down on paper. In 2008 when I decided to create a coaching program for traders based on my market experience, I started with an outline that I wrote called the 10 Habits of Successful Traders. I thought about the 10 Habits a trader needs to develop in order to run a successful trading business as an entrepreneur. I also thought a lot about traders chasing the latest and greatest black boxes and automated trading systems and the promises from gurus who claim you can have overnight trading success.

And so the *Technical Trader's Trap*, which you will read about in this book, was born.

I also felt at the time that there would be nothing that a trader could experience that I haven't experienced myself during my 30 year trading career, beginning as an institutional trader with a major investment bank. That's another way of saying that I thought I couldn't learn much more about trading - but I could never have been more wrong about that!

For the seven years leading up to writing this book, I have had the opportunity to work with and coach many traders. This has been nothing short of a gift. When I think back over the years, the word that keeps popping up is "gratitude". Gratitude for meeting wonderful and insightful people, gratitude for connecting with dedicated, knowledgeable and serious traders and gratitude for realizing that my students have been the greatest teachers in my recent trading career.

On this note, to all of my students from whom I have learned so much, may you continue to have trading success and reach your full potential. And may I continue to show my gratitude to you daily.

I would also like to thank my FX Trader's EDGE team, all of whom are great mentors in our trading community, and whose dedication and expertise have allowed me the freedom to spend the time on this endeavor. Juan Maldonado, thank you for your utmost commitment to making sure the business ran smoothly and for being one of the best Elliott Wave strategists in the industry. Neil Bradford, thank you for contributing top notch mentoring and trading tools for our trading community and for reviewing a few chapters in the book brilliantly. Vince Vacarella, thank you for your round-the-clock attention to the markets to make sure our traders are clued into the trading opportunities. Thank you Andre Porco, Tim Stuyts, Fernando Luna, Alex Kaziyev, Robert Mis and John Thomas for your important contribution to FX Trader's EDGE and the Elliott Wave Desk.

I would be remiss if I didn't remember my original FX Trader's EDGE team, all of whom played an important role in the early stages of the development of FX Trader's EDGE: Mick Lewis, Tanya Harrison, Michael Syvertsen, Neil Bradford and Randy Dodgen – thank you!

These acknowledgements wouldn't be complete without thanking my parents. Dad, you were always so proud of my accomplishments, and it is from you that I learned the importance of balance in my life. When I think of being balanced on the continuum between fear and greed, I think of you. Mom, you always had such good trading instincts even though you never traded. In my early days I can remember asking you if I should go short, long, hold, or close and you always gave me your assessment of the situation which ended up being correct most of the time!

Finally, thank you again to my wonderful family, to whom this book is dedicated.

About the Author

Jody Samuels is one of North America's leading coaches for successful traders, and the creator of The FX Trader's EDGE Coaching Program modelled after the “10 Habits of Successful Traders”. She works with members of her program in group and private coaching sessions and is passionate about teaching individuals how to trade the market cycles and use entrepreneurial skills and habits to effectively manage their business.

Jody's educational background includes Bachelor of Science in Economics from The Wharton School, University of PA, followed by an MBA at NYU Stern School of Business. Jody's trading expertise spans the financial, currency and commodity markets, as a former trading professional for US global investment bank JP Morgan, a sales professional for an energy company and now CEO of FX Trader's EDGE, an Elliott-wave based education and coaching company for traders.

Jody soon realized from her institutional trading experience, that new and seasoned traders lacked the guidance to graduate from the *Technical Trader's Trap* to becoming an Entrepreneurial Trader. Jody wrote *The Trader's Pendulum: The 10 Habits of Highly Successful Traders* based on her 30-year trading and coaching experience to help traders transition to managing their trading accounts as a business.

She has moderated a daily online trading room, been interviewed on Bloomberg Television, and is a sought after speaker at the *Toronto Money Show* and the NY and Las Vegas *Traders EXPOs*. Her most recent and very exciting speaking debut occurred in Shanghai this year. She has authored articles published in *Stocks and Commodities Magazine* and has been interviewed by the *Money Show*, and by *FX Street* for the *Women in Forex* article which appeared in FX Trader Magazine.

Prologue: A Day in the Life of a Successful Trader

It's 5:50 a.m. on a typical weekday. Before everyone else in his family has woken up—in fact, before most of the population of the city are awake—Charles Thompson is already out of his pajamas and has his coffee brewing. For the past 15 years, Charles's habit has been to start his day before dawn. He believes that starting his daily race before everyone else does will give him a winning edge.

By 6:10 a.m., Charles begins his meditation sitting in his study. Admittedly, he has to fight the drowsiness, but he does it anyway. He added this habit to his morning routine less than half a year ago and he is improving day-by-day. The meditation practice is more than a mind training that clears his mind, but also a discipline of focus and determination. These are important to both his life and his work. So he shows up on his meditation mat every single morning.

Twenty minutes later, as he stands up from his meditation mat, he does a brief stretching exercise. He feels his blood rushing to every cell in his body, and is fully refreshed and awake. He puts on his training shoes and gets out of his house for a 30-minute jog in the neighborhood park. If it rains or snows, Charles will opt for running on the treadmill in his home gym, but he prefers running in the park, for the jolt of fresh and frosty morning air.

Back home over breakfast after a hot shower, Charles launches the newsfeed application on his iPad to read about the major events that have happened overnight around the world. He makes a note of anything that he thinks he should pay attention to. Reading the news is his effort to connect with the world at large. Besides, his job requires him to keep abreast of the major daily events that may have an effect on the global markets.

By 7:30 a.m. Charles is at work in his home office. Although he does not have a boss to report to and no one will know if he slacks off, it is his habit to show up punctually at his desk by 7:30 a.m. He reviews the notes that he made and starts planning his trading day. Every morning he follows a set of well-defined steps. From 8:00 a.m. to noon, he gives his undivided attention to trading. Nobody is allowed to disturb Charles until lunchtime.

That is how Charles has begun his typical morning for the past 15 years. Charles is a trader—a highly successful one. He is enjoying the freedom, monetary rewards, and a rejuvenating sense of satisfaction from his career. He credits his success to the morning routine that prepares him both physically and mentally for a long day at work. He also thinks that keeping to a strict routine has given him discipline and determination, both being important ingredients for success in trading.

But this is only part of the reason why he is successful.

A Trader's Work Begins before He Starts to Trade

Every morning, Charles switches on his “work mode” during breakfast.

At the dining table, as he is reading the news, he is scanning for interesting events that happened overnight. Particularly, he will look for clues that might impact the currency, commodity, and stock markets, the business world, and the global economy.

At this point, he is merely gathering information, because Charles still wants to enjoy his breakfast. But he makes mental notes for further investigation for when he starts working later. Charles knows

that news can impact global markets, and he wants to make sure he takes into consideration the potential event risks, as well as the emotional and psychological responses of investors in the market when he plans out his trading strategy for the day.

Being an independent trader with no manager or boss to report to, Charles knows that he has to be accountable for his trading. Every morning, he will define a set of *practical* financial goals that he wants to achieve out of the day's work. How does he know whether these goals are practical? He doesn't have a *scientific way* to determine this, but he does it based on a number of factors, including the past performance of the trades, the recent market performance, a gauge of his own capability—and, of course, the breakdown of his long-term (monthly and yearly) earning targets.

But these goals are merely a dream without proper executable steps to achieve them. Charles knows this well. He has the habit of planning out clear trading rules before he starts trading and stalking the markets for his high probability trade setups. For Charles, trading is a survival game that requires him to constantly keep his eyes on the destination, and to be clear of the route and strategy to get there. In addition, he is cautious about following his rules and checking the price action before he enters a trade. All these habits have helped him to survive in the game—and the ultimate goal of the game is survive as long as possible.

Charles understands that it is useless to have a fantastic strategy and plan sketched out if he doesn't follow them. As part of the morning routine, right after he logs into the trading platform and before he executes the first transaction, he will do something unorthodox: He will stand up straight, gather his strength, and with his fists clenched, chant this *mantra* three times to himself:

“I have planned my trade, and now I will trade my plan.

When it's time to strike, I will strike.

I shall not overanalyze, I shall not procrastinate, and I shall not hesitate.”

He adopted this habit when he started his trading career at a relatively young and energetic age, and still keeps doing it. Somehow his little ritual gives him a jolt of motivation to start trading.

Silly? Maybe. But it works for Charles, and he regards this to be one of the habits that are responsible for his success. The habit to “plan his trade and trade his plan” has helped to keep his emotions at bay when he trades, and allows him to make logical trading decisions. What's important to him as a professional trader is to win the game, whatever it takes, even if it's a silly ritual like repeating a mantra.

The End of Trading Isn't the End of His Day

It's 4 o'clock in the afternoon, the stock markets are closing, and Charles is getting ready to wrap up his trading activity.

But a professional trader's day never ends right at the point when he ends his trading session. Charles will take a 15-minute break, do some simple stretches, grab a cup of freshly brewed coffee, and begin another important task while his memory of today's trading is still fresh.

Because Charles is a committed trader, he seeks daily improvement in his trading—no matter how big or small it might be. He uses a trading journal to aid him with that. He will record his trades, the results, and his observations, and review them one by one against the plan, strategy, and goals that he defined earlier in the day.

As an effort to reflect on his daily performance, he will fill up a trading blotter. In the process, he asks himself some of the following questions:

Was I in a good frame of mind today? Was I “in the zone”? Did my personal life affect my trading?

Did feelings of perfectionism and overconfidence creep in?

Did I plan my trades well? Or was the plan based on speculation or unproven tips from other traders?

Did I trade my plan? Did I trade impulsively? Did ego take over my logical analysis?

Overall, was I satisfied with the results of today's work?

By answering these questions, he learns his lessons from what he has not done right, and commits to not repeat the same mistakes again. But it's not only the mistakes that he wants to discover. He also wants to be reminded of the right decisions that he has made, so that he can apply the same actions when similar situations arise.

When nothing spectacular happens during the day, the review can be done within 30 minutes; but when major events take place, Charles might work past dinnertime to get his review done. To him, every experience is an important lesson. He wants to make sure he does not do a sloppy job in his review, and miss any of the lessons. Only after Charles is satisfied that he has learned all he should from today's trading will he call it a day.

This habit of self-coaching and accountability has played a major role in helping Charles to reach his level of success today—along with many other hallmark traders' habits.

What Can We Learn from This Successful Trader?

As you read about the morning routine of Charles, I am sure one keyword that repeatedly appears in the passage has caught your attention: *Habit*.

The Merriam-Webster Dictionary defines *habit* as “a usual way of behaving; something that a person does often in a regular and repeated way.” Force of habit makes us brush our teeth in the morning; it is what makes us crave food at around the same time every day; it is what sends us to bed before the clock strikes midnight.

If these seem too trivial, what about the habit we developed to exercise three times a week so we keep in shape? What about the one that makes a worker arrive at the office on time to avoid reprimand from his supervisor, and finish his work at 5 p.m. so that he can enjoy some life after work? What about the habit that prompts a business owner to review the accounts and take note of irregularities every evening?

On a negative note, habits are not always good. Overeating is one of the main causes of obesity; people who are mindless when walking (e.g., busy checking for Facebook or Twitter updates) could become victims of road accidents; those who habitually give up at the first encounter of failure are less likely to succeed in life.

We are creatures of habit, and our habits shape who we are. I have shown you how Charles allows his good habits to guide him in his trading. But what you have seen is only what he does in one day—what you haven't seen are the habits that he has formed over 15 years, which dictate how he deals with this

trading business as a whole and which keep him in good mental and physical shape for peak performance.

Charles is not the only one who conscientiously forms and maintains habits. All of the highly successful traders do. In my years of association with the high flyers in this industry, I have seen over and over again that they are relentless in cultivating positive habits that will bring them success, and doing away with the negative ones that are in their way.

Here are the important questions for you to ask as a trader: What are the habits that successful traders have in common? What can I learn from these habits? And how do I model them for my own success?

You will find the answers in this book. But before we move on, let's take a look at the common pitfalls that most traders, including the experienced ones, fall into.

Part I

Introduction

Introduction: Riding the Trader's Pendulum

All traders ride on a pendulum every day. Unsuccessful traders ride the pendulum back and forth with no real idea of the pendulum's swing. Successful traders recognize that the pendulum swings and ride it mindfully; as a result, they make better decisions and better trades.

The Futile Search for the “Perfect System”

When Peter, one of the clients that I coach, showed me how well versed he had become with his trading skills, I was impressed. Although he was a part-time trader (aspiring to turn trading into his full-time profession), he had gone through the grind to learn about price action, Fibonacci, support and resistance areas, chart patterns, moving averages, and other technical indicators.

Looking at how he understood price action and maneuvered these technical tools, I saw how good he was at reading his charts. His skills were on par with most professional traders; maybe better. Especially considering how busy he was with his day job, I knew he must have burnt the midnight oil on his evenings and weekends to learn them.

However, I could not help frowning a little when he asked me, “What techniques am I still lacking? Do you have a better strategy for me?”

These are typical questions asked by traders. It showed that Peter did not understand what he needed to do to succeed. Or perhaps he was just misguided.

From my experience, most traders are like Peter. They think trading is all about mastering as many technical skills as possible to apply them to analyze chart price data and make intelligent buy/sell decisions, so they will continuously bring in heaps and heaps of money day after day.

To them, the key to winning big in trading is landing a powerful technique or strategy that is guaranteed to work. That's why they spare no effort to find tips to improve their technical skills even though they may have all they need to do well. They are keen in trying “hot off the press” software and jumping from one website to another to look for the next life-changing piece of advice.

In short, they keep looking, looking, looking, in hope to find that “perfect system” that will *transform* their trading into a business success.

Unfortunately, this is never going to happen. The search for a fail-safe system in trading will lead them nowhere, because the Holy Grail simply does not exist. Worse, it will trap them in the *Technical Trader's Trap* (more about this in the following chapters), limit their potential to achieve greater outcomes from their trading career, and even cause them to lose their hard-earned money.

The Real Transformation Starts within the Trader

As a professional trader and educator for the past 30 years, I have had the opportunity to closely observe the top performers in the industry. What I've noticed is that although most of them have expert technical skills, technical knowledge alone does not make them high flyers. Learning entrepreneurial skills and cultivating the right habits does.

These successful traders are *Entrepreneurial Traders* who treat trading as a serious business, and embrace an entrepreneurial style in running and managing their trading business. Entrepreneurial

Traders set goals, plan for their business, constantly review their plans, execute them, and improve themselves. Success can be expected.

On the other hand, average traders are “*technical junkies*” who trap themselves in the *Technical Trader's Trap*, obsessed with feeding on new technical knowledge or trying out new trading systems, at the expense of making a consistent income. How can they move their trading into the passing lane of the highway of success? They don't know or they think they can get there by gathering more information.

I have a plan that will help Peter transform himself from a “technical junkie” into an Entrepreneurial Trader. My plan has helped many traders that I have coached with their transformation process, and I am confident that it will help Peter, too.

Most importantly, it will also help *YOU*.

How to Benefit from This Book

The central focus of this book is based on my model of the 10 Habits of Successful Traders. In the following chapters, you will discover the following:

- *What the 10 common habits of successful traders are.* The simplest way to succeed in trading is to learn from the best and model their habits. This book shows you what successful traders are doing, what you're not doing, and what you can learn from their habits.
- *Why you should practice the 10 common habits.* You will find out the benefits of cultivating these habits and how they have helped the top performers to gain financial success, a great sense of achievement, and a well-balanced life.
- *How to replace your negative habits with positive habits.* When you examine the positive habits of successful traders, you might discover your own negative habits that prevent trading success. Find out how you can replace the negative habits with the positive ones.

The Pendulum Scenarios

In [Chapter 1](#), I will introduce you to two traders, Stacey and Fred. You will see how they adopt the typical habits and characteristics of an Entrepreneurial Trader and a “technical junkie.” You'll see how they treat their trading businesses differently, and how their mentalities and behaviors affect their trading results.

The stories of Stacey and Fred do not end in [Chapter 1](#). In between each chapter of the book are 26 case studies that I call the Pendulum Scenarios. In these “addendum” to the chapters, we will examine the emotional-psychological roller-coaster ride that the two traders go through and how these challenges expose their strengths and weaknesses. It might surprise you, but there are strengths in Fred you can learn from and weaknesses in Stacey you can learn to avoid.

Although we are using two fictional traders as the protagonists of these case studies, these are not contrived examples; instead, they are real situations that happened in real trading scenarios that I have experienced with my students.

Here are the Pendulum Scenarios that Fred and Stacey deal with every day in their trading:

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