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THE FEAR FACTOR

Dr. Alden Cass advises a trader paralyzed by fear

A trader seeks help: "I am more afraid of losing money than I am of not making that much. I am trading from a position of fear..."



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Dr. Cass:

Hello. I have been a prop trader for a few years at a firm downtown. I am surviving, but not thriving.

I went into this business to be successful and wealthy, as I was at my previous profession. It seems clear that I am not thriving because of a number of issues. For one, I am more afraid of losing money than I am of not making that much. I am trading from a position of fear, not a positive, confident, winning attitude.

Basically, my mental game needs work, and I need help doing this work. I also am having a hard time finding a system that will provide me with consistent results. Hopping on the train of chasing random rewards is killing my consistency. I am running out of the energy to "keep coming back" for a new trading day after continually watching myself sell or cover right before the big move, or just miss it entirely knowing it would happen.

I read your column in *Trader Monthly* magazine. Can you help me figure out how to overcome these issues that are holding me back from achieving true success?

-- Scared Stiff

Dear Scared Stiff:

As you know, prop trading is not for the faint of heart. Many newbie prop traders fear losing their rent money and, as a consequence, fall into the trap of trading from a position of fear -- a phenomenon I call "trading with your wallet." Thankfully, you have past successes (and earnings) to cushion your trading.

Still, good traders must be willing to risk losing a great deal of money in order to make money. If you can not or will not make this investment, you will stress yourself out, pull out of trades prematurely, and bring home peanuts at the end of your trading day.

If you believe in your original theory about a trade or if you have a rigid and disciplined system working for you, stick to it. Let the money ride. This is a game of risk, and you can't make money unless you can confidently stare off into the abyss and deal with the uncertainty of making a trade.

As for your comment regarding "chasing" random rewards, I would definitely advise against that strategy. Why not focus on one sector about which you are knowledgeable and become a specialist? There is nothing more powerful than feeling as if you have an edge in following particular stocks or a particular sector. You can learn the trends and patterns so that, when they repeat themselves, you will be the first one to notice a potential move.

Stay focused, do your research and remember that chasing rewards has a low probability of success over time.

-- Dr. Alden Cass

Please submit your questions to Dr. Alden Cass at stockdock28@aol.com.

Dr. Alden M. Cass, President of Catalyst Strategies Group, is a licensed clinical psychologist who works with traders and risk managers to help them achieve financial, corporate, and personal goals. See full profile, or visit his website, <http://www.catsg.com/>

alden cass

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