

>: Oh No! Did You Hear What the Economists are Saying?

Tuesday, February 10, 2009 / Chris Rowe

Okay, okay, just calm down. Take a deep breath. This is a quick intervention for those addicted to the emotional roller coaster ride ... a ride you only realized you were on after you got off and looked back with your hindsight goggles on.

What happened to those people who ended up dizzy with their heads in the amusement park garbage can? What could they have done differently?

I've spoken with people who have lost a significant portion of their account value "because of this market" lately. And it's not just because the general market has lost so much value. It's because they make the most common mistake among everyday investors ... a mistake that's more costly now than ever before because of the market we're looking at:

Trading on Emotion.

It's classic:

Step 1: The market is in free-fall and you hit the eject button right before the market makes a swift 20% recovery.

Step 2: You decide to be smart and "piece in" to stock positions, a little at a time and watch the market trade much lower even after you bought all the stock you wanted to.

Step 3: The market breaks a new low causing you to panic (probably a good idea at that point) and sell your positions again, only to see another recovery.

If this sounds too familiar, it's time to just CHILL OUT.

You can lose a lot more just by trying to time the intermediate peaks and valleys. Missed opportunity is just a myth, because every day there are new opportunities presented to us, and if you feel like you've lost your bearings trying to trade a market you don't understand, you have to exit your positions and sit on the sidelines until you get your stock market rhythm back.

Now, more than ever, the volume of the "noise" is turned way up on the stock market because we have just closed a three and a half decade chapter that's affecting most of our net worths in a big way - some positively and most negatively.

The financial news networks, magazines and newspapers, along with the politicians in Washington, are squeezing this crisis for all it's worth.

Do NOT let the "noise" get the better of you. Play on your own terms! Ignore the dire predictions and the optimistic outlooks alike, and simply focus on what you can control within your own portfolio.

The hardest scenario to deal with is when you find that you seem to have painted yourself into a corner by opening lots of positions that you are not very sure of, and worst of all, the positions are down! It's not too difficult for most people to look within themselves and honestly admit when they aren't very sure of what they are doing. The hard part is actually listening to yourself!

Now I know you can NEVER be "sure" of any of your positions, but you can usually gauge the degree of certainty that you have about them. I mean, we all have (or have had) positions that we did tons of homework on, the ones where you feel like all of our stock market stars are truly aligned, yet with each passing week or even day our confidence level fluctuates. That's normal - I'm not talking about those situations when I suggest sitting on the sidelines to regain your focus.

Understanding the difference between the two feelings (losing your stock market bearings or just normal confidence fluctuation on ANY position) is something that's INCREDIBLY important to focus on in order to be successful.

Most people don't think about this when they are in the "thick" of it all, but the fact is that IT IS POSSIBLE TO MAKE BACK WHAT YOU LOST. You don't have to make the money back by using the SAME POSITION you lost the money in. In fact, odds are you will have a much harder time making the money back on the same position than you would making it back on a fresh start. The trick is to know when your emotion level or level of addiction to the market is just too high.

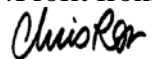
Understanding what makes stocks trade the way they do is probably only 25% - 40% of what you need to profit from the stock market. The rest is understanding yourself, and how to control your emotion. In fact you don't have to "control" your emotions, you just have to know when to hit the "eject button" and sit in cash for a good month, or two, or twelve.

Remember, oftentimes it's not even a personal emotional issue. Often, the market becomes more confusing and less confusing. Markets become

easier to play, and more difficult to play, and what may have worked for you last year may not work in today's markets.

So, for those of you without a system that's proven itself to you over time: if you feel like the market is just too greasy to hold on to, just step back, keep a close eye on it without taking action, and hop on to the next market that comes around.

?Profit from the Trend?

A handwritten signature in black ink that reads "Chris Rowe". The signature is written in a cursive, slightly slanted style.

Chris Rowe

Chief Investment Officer

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