

## **>: Let The Game Come to You**

*Thursday, November 30, 2006 / Teeka Tiwari*

He steadies his sights, he feels the bead of perspiration slowly trickle down his spine, his breath quickens, and he can feel the adrenaline coursing through his system. In hunting circles, this is known as the onset of "Buck Fever". It's just as prevalent in the world of trading but can lead to

vastly more disastrous results than a missed "kill".

In trading, the phrase "jumping the gun" has far more meaning than you can imagine. None of us is immune to it. As professional traders, we eat what we kill. As such, combating "Buck Fever" is another hurdle we must overcome if we are to make our living from this business. You see, our biggest enemy is not the market itself but rather our own human nature.

The herd mentality is deeply ingrained in us at a genetic level, and it affects EVERYONE. Even the smartest, mentally toughest person you know will, in times of extreme stress and peril, revert to some form of follower/herd mentality.

The best traders I know haven't so much conquered this particular human peculiarity as they have created a strategy for dealing with it when it comes up. In psychiatry, this approach is called "cognitive behavioral therapy".

Now, I'm no shrink, but I do know that I have learned to recognize the telltale signs of my own "Buck Fever" and have developed a strategy to talk myself out of making stupid decisions.

Recently, there was a stock I had been following very closely that I felt was primed for a major move. It already had a quick 15% move up but looked to trade higher. When it was trading at \$5 and change, I was looking for a move to \$15; the 9-month \$5 call options could be had for \$105 per contract.

Now, when I get the opportunity to make ten times my money on an option play like this, I get excited. In fact, aside from my family and spiritual life, nothing gets me more passionate than successfully trading the market. The concept of buying a piece of paper at the right time and watching it appreciate in value based upon other people's perception has always fascinated me.

Anyway, to get back to the trade. As anxious as I was to buy these options and position myself for what could be a major windfall, I was quick to bring myself back down to earth and examine the trade. I punched up the stock chart and started seeing the stochastic readings begin to fall off; my greed said, "Forget it, buy now. Who cares? It's a ten bagger! What's a few pennies count?" At this point, warning sirens and red flags started going off in my brain, and this is the signal that activates my cool professional detached self.

The first thing I do when this happens is to tell myself to relax, forget what I want to happen and FOCUS ON WHAT IS HAPPENING. What is the stock telling me now? Long story short, the stock was showing short-term weakness. I had a chance to get into the trade at a better price (which is always a good thing!) So I backed off; I acted like a pro and ignored my baser instincts. Is this easy? No, it's not; it's very difficult which is why the rewards from successful trading are so great. It's also what separates professionals from amateurs.

As I ratcheted back my enthusiasm, like a patient hunter who sees the lion he wants to bag, I sat back; I sat back and let the game come to me.

For a while the stock just sat there; it even ticked up a bit, and my anxiety started to sharpen. Recognizing my rising anxiety, I reminded myself, "You've been here before. If it runs away from you, so be it; there will be another one." I breathed deeply and calmed myself down.

And then it happened! The stock started to falter; the price slipped and then started to just slide. I knew it!

My patience and experience had paid off. As the stock price slid, so did the option prices; and boy, did those options take a beating! They started the morning offered at \$105 per contract; by the afternoon, they were bid at \$65 per contract! My patience allowed me to buy almost 50% more contracts with the same amount of money, increasing my potential gain dramatically! Was it worth the wait? You bet it was!

Every trader falls into the trap of overtrading or overpaying. It's a hazard of the business. What I've found is that much of my own personal trading success has come from rebelling against my basic nature, buying when the world is selling, selling when the world is buying.

This type of counterintuitive approach has generated millions of profits for my investors over the years. But it takes practice and patience to develop your own strategy; and remember, on any given day, the market can make you look like a complete no-talent hack or a trading god!

So remember to position yourself in sectors with good long-term earnings visibility and long-term macro fundamentals driving the earnings picture. That way, if you're off with your timing, then the fundamentals of the group will bail you out.

"Let the Game Come to You."

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