

>: Learn To Trade Like A Zen Master

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Another day, another dollar. It's so funny because all of my non-financial friends have been calling me frantically wondering if I'm OK, what with the recent market meltdown. I've got to tell you, even if I were on the wrong side of this market (which I am not,) the answer would still be, "Yes, I'm fine, thank you."

I learned a long time ago that it never pays to get emotional about stocks. As a trader, you almost have to attain a Zen-like approach. Actively involved and engaged with the process of investing, but unattached to the outcomes. This is a game of learning, and if you mentally chastise yourself, you cannot learn. This is the reason why we see so many intelligent and diligent people fail in the stock market.

They can't remove the "I" from their decision making process. Investing is both an art and a science. To discount the intuitive portion of what makes a great trader would be doing you a grave injustice. All of us contain an inner compass, a "voice", if you will, that will lead us in the right direction if we can learn how to listen to it.

But how do we actually do this? I mean, it's all well and good for me to spout off about esoteric, abstract ideas of "listening to the voice within" but what are the practical steps we can take right now?

Well, for me I have found the keeping of a daily (or even weekly) trader's journal to be invaluable.

In my trader's journal, I will write the exact reasons why I am buying (or selling) a particular stock. I'll note the current market we are in and the overall sentiment of the market. I will also print out the chart and staple it into my journal. On the chart, I will note the 20-day, 50-day and 200-day moving average. I will be as specific as I can as to why I think now is the time to take action on the stock. I'll also jot down my current market views.

What this does is give me an actual look into my decision making process. I will also keep a note of my emotional state at the time I make the trade. I want to know why I am excited about making a particular trade or why I may be hesitant. I want to see how my mood when I enter a trade reflects upon my overall performance. Am I nervous, or am I confident? How is my mood (which is just another word for sentiment) at the time I make the trade correlating with my overall performance?

I try to take "me" out of the picture and dissect my process, not myself. That difference is the key to learning from one's errors.

The beauty of this approach is that over time, you will see that you made some gutsy calls or some prescient analysis (that you were probably afraid to act on,) and it worked out. The more you see this, the more you will find your "inner voice" developing. It's like an internal rudder that says, "Don't do that, do this." When you reach this point in your investing career, I can assure you that it is a truly wonderful feeling.

You will look at a chart and intuitively know whether it's something you should investigate further or not. In short, your confidence will soar. There is no short cut to attain this state. I've only ever seen it done through diligent perseverance. The good news is you only have to go through this process once, and once it's a habit, it will become easy and fun.

I mean, who doesn't like to make money?



Teeka Tiwari
Chief Investment Officer

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