

Think from the Market's Perspective

From an early age in our life we are told to think that losing is bad. We live in a competitive society where we are conditioned in our business, sporting and social environments to think that we must win at *each and every* task. As we grow older the 'competing to win' mindset becomes 'hard-coded' into our thoughts resonating through all facets of life. It has a profound influence on us each day, both consciously and subconsciously.

We are conditioned throughout our lives by our parents, peers, media and other environmental and social stimuli to feel negative emotions such as anger, embarrassment, disappointment and frustration when we lose or we are wrong.

When we lose we think we have failed. We worry what others will think and how society will view us because of the loss. We know the winners are praised for their accomplishments.

In share trading negative reactions to losses are no different. The same pressures, beliefs, expectations and disappointments are evident. Unskilled traders see losses and drawdown as failures. Resultant inconsistent trading often leads to complete withdrawal or avoiding trading for fear of more disappointments, not to mention poor results.

People in this position are different to a skilled trader who looks at the market objectively and consistently. Both have experienced the same conditioning from their environment however skilled traders have learnt to think differently.

To become consistently successful in the share market sophisticated traders have learned to think in the market's perspective in terms of *probabilities* - not in terms of winning and losing on individual trades.

Winning, losing, new portfolio equity highs and portfolio drawdown are seen by the skilled trader as the probabilities playing themselves out in the market. These are normal occurrences for the skilled trader, in fact, he expects them to happen.

To make the transition from a novice trader's perspective to that of a skilled trader who thinks from the market's perspective, often means changing ingrained beliefs and 'reprogramming' our mindset to a new understanding. **ShareFinder's training services and solutions are designed to help you become a skilled trader.**

So what do we mean by probabilities and where do these probabilities come from? We mean that you must understand what your probabilities of success/failure are from the way that you trade the market. These probabilities are determined by the *number of times* that you win and *how much you win compared to how much you lose*.

When this is measured through research over a large sample of trading events, through different types of markets, you can determine the mathematical expectation for the way that you trade. If you cannot understand or define your probability of success then you are gambling and should not commence trading until you do understand your probabilities of success. All of ShareFinder's solutions have been designed from this perspective.

Many novice traders draw rash, subjective and impulsive conclusions from small samples and brief experience. Immediate success is craved for confidence building and self determination. This is another trait learned from modern society, that of instant gratification rather than delayed gratification. It is normal to want to win as many times as possible, especially early in a new trading enterprise. The confidence gained from success leads to an expectation of future success. However, sophisticated traders define their edge precisely, know the probability of success that it represents, know the term over which it delivers success and know an adequate sample size is required for long-term results.

Thinking from the market's perspective means that you will *no longer think in terms of "right" or "wrong" or "win" or "loss"* on the trades that you buy, hold and sell. Taking new trades and closing trades based on your edge simply means you accept the probabilities of your edge. Whatever the result of individual trades, you can be at peace knowing that the overall outcome will reflect the statistical probability of the system over a large sample of trades. Thinking from the market's perspective means that you expect to have winners, losers, new portfolio equity highs and portfolio drawdown.

Most traders do not understand, or fully accept, this concept. Many dismiss it as unimportant but most of these traders are destined to failure. We suggest that thinking from the market's perspective is an essential component in the make-up of every successful trader.

Take time to seriously consider how you think and feel about each trade you execute. Critically analyse your feelings and actions to determine what you need to do to better align yourself with thinking from the market's perspective - probability. In order to gain an in-depth understanding of the concept we suggest the following:

- **Consider a ShareFinder solution by selecting the 'Products' link above (In addition, ShareFinder offers training solutions at the 'training' link for further tuition).**
- **Read and study the book *Trading in the Zone* by Mark Douglas.**