

It's a matter of confidence

The dictionary definition of confidence is '*a feeling of reliance or certainty*'. Here's another way of defining it. Confidence is thinking about what you want to happen. Lack of confidence is thinking about what you don't want to happen. If you think about what you don't want to happen in the trading arena there is a high probability that you won't do the action that might produce what you don't want to happen, i.e. you don't execute thereby also eliminating the possibility of a positive outcome. Or you execute poorly.

Confidence is a *feeling* and that feeling is determined by what you think. Notice, too, that confidence is defined as a feeling of *certainty*. This does not mean that the outcome that you feel confident about is certain, just that you *feel* certain about it. If you don't feel certain, i.e. confident, then it is likely that you won't execute the action, either at all, or as you intended. Why would anybody actually do an action where they feel they will lose compared to another action where they feel they will win? What I have learned is that the quality of our execution is based on the degree of confidence that we have nourished in our conscious and subconscious minds.

However, no outcome can be certain because there are simply too many variables at play in the universe that are beyond our control that can affect the future outcome of any event, especially in the financial markets. It is important to accept this as a trader (or in other role in life) otherwise we may set an expectation into the future that we know (either through feeling certainty or some other basis) what will happen next and this expectation will attach us to the outcome. When we become attached to the outcome we set ourselves up for disappointment when the outcome is not what we expected. When we experience disappointment on an ongoing basis we become disillusioned about what we are doing and we spiral into programming ourselves to having a losing state of mind.

This happens with the majority of traders, especially short-term and medium-term traders. How many times have you not executed trades that soar and you have found yourself saying: "I knew that I should have done that trade!" What actually transpired was that you weren't confident about the trade so you didn't execute or executed poorly by entering too late. The negative thoughts that popped into your head are a part of who you are and are an indication of your degree of trading confidence.

So how do we learn to feel certain about outcomes that we know are uncertain? This is a paradox. The market, like life, is full of paradoxes. How do we learn to think about what we want to happen and block out the thoughts of what we don't want to happen?

To nourish confidence you must have faith and trust. But how is trust developed? Define a trading process that you believe in. How do you go about defining a trading process and, more importantly, how do you trust it and believe in it?