Steps to help come out of a drawdown

The Mental Hack: The Positive/Benefits Exercise

BE WARNED: what you read below will seem too simple to be effective, but I encourage you to allow that thought, and let it go and give the exercise a chance.

What you need: you need something to write on, and a pen/pencil. DO NOT TYPE INTO A COMPUTER - using your hand to write engages different parts of the brain to typing, and is one of the reasons Cognitive Behavioral Therapy is so effective. The simple act of writing is POWERFUL.

1. Quickly write down what your situation is. Ex. I took two trades I knew were wrong and I shouldnt take, and both failed. I feel like a moron, and my confidence has taken a hit.

2. First, on a scale of 1 to 10, rate the negative feeling. Ex. If you are dealing with negative emotions from a number of full stops, or maybe you traded outside your trading plan and took a loss that ruined your day. As a result you may be feeling pretty disappointed with yourself, probably angry, and old habitual patterns about who you are at your core will come up - like I am stupid, I am a failure, I am not smart enough, etc. They are pretty good thoughts to push up the rating closer to 10. Be 100% honest with yourself. DONT be macho and say to yourself you are only feeling say 4 or 5 out of 10. Tell the ABSOLUTE TRUTH to yourself...Truth will set you free with this exercise.

3. Now ground yourself - three slow diaphragmatic breathes through the nose - in for 4, hold for 4, out for 8.

4. Now, in front of an empty page, write down the following: “What is good about <situation x>?” Ex. What is good about me taking three full stop outs?

5. Try to connect deeply with that very simple question, and then WRITE. Just keep writing. FIND AS MANY REASONS AS YOU CAN FOR WHY THIS IS ACTUALLY GREAT FOR YOU. Ideally, strive to find 20 reasons, but at least 10.

6. Depending on the situation, you may find as you do this, you have an emotional shift and you just know you are done. You are through the emotional storm. KEEP GOING. I always keep going to 15-20, then I dont have to do the exercise again.

7. Put down your pen/pencil, and sit for a moment and try to get in touch with gratitude for all of the benefits you have uncovered from all of these great things you have uncovered. They are all gifts.

8. Now rate yourself from 1 to 10. Fingers crossed, you are much lower and this storm is over.

Example

1. I took two trades I knew were wrong and I shouldnt take, and both failed. I feel like a moron, and my confidence has taken a hit.

2. Scale of 1 to 10 = 8.`

3. <Breath and Ground>

4. What is good about me taking these two trades I knew were wrong?

1. I realize I have a blind spot that is getting in my way from taking my trading results to the next level. If I can focus on fixing this, theres a real possibility of success.

2. This has helped me understand that when I get bored, I start looking for a trade. I hadnt realized I do this, but reflecting on this today, I see that. I can bring that shadow into the light and enhance my trading plan to cater for this.

3. The good thing is I took these in a quiet market so even though I took full stop outs, I didnt get any slippage - I got out lucky!

4. I get to grow from this - I will come out of this a better human being, and be yet another step closer to being the best version of myself. Every time I uncover one of these traits, I get to set new causes in motion to a better outcome for myself.

5. Becoming a profitable trader is one more step closer for me now!

6. Etc....

7. Gratitude.

8. Rating 1-10: 4.p

So, if you're super emotional before you trade, take a break from trading and do the above mental exercise.

**That's #1**. **Step #2** is to revisit your stats and see if it was your strategy that didn't perform or if it was you that didn't perform or didn't execute the strategy correctly.

**Step #3** is to make whatever adjustments you need to make, whether to the strategy or to your performance (add more rules to enhance and pre-determine your performance/execution). part of this is to maintain realistic expectations from your strategies and from your abilities (you can't have a goal to make 1000 pips in a day if you've never done it or don't know how to do it. keep your expectations in reality of your currents abilities and skills).

**Step #4** is to come back to the markets with the basics in mind. Force yourself to think objectively and trade what you see.

**Step#5** is to test the waters a bit before jumping all in. Watch your position size and risk. And pre-determine an amount where you know you should cut it off, where it would increase your emotions and aggravate the situation, only you can decide this number because it's different for everyone. It could be just one loss of 10 pips or it could be 3% of the account, whatever.

**Step #6** is just building back momentum, positive momentum in your favor. This can be achieved by slowly grabbing wins, and having a target each day and then closing it down. Say make 20 pips in a day and then be done until tomorrow. 20 pips tomorrow, then 30 pips the next day and slowly build it up. (I had to start at 10 pips a day for a week to start the positive snowball for me)

**Step #7** - focus on process based trading after you start building positive momentum. STop worrying about your results as much as just following your strategy and rules. The results will come as you do that.

That's a lot but if you do it, it'll make a difference in how you view the markets and how to view your progress.