

ReadySetCrypto Trading Edge Masterclass



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Module Seven: Actions That Will Lose You Money

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By Doc Severson

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Why Introduce Negatives?

Around this time of the program you're starting to "get it," you're starting to see just *how* and *why* you've lost money in the past. And maybe you've taken my guidance to heart, and have started to build business and trading plans and have checked off every "homework" box at the end of each module. Keep it up!

But I need to add a little repetition here, because in most cases you have to undo DECADES of "bad habits" that will absolutely fight against your ability to profit from the financial markets. These habits, incorrect assumptions, and misinformation accumulate like barnacles on your brain, are tough to root out, and do nothing but add friction to your journey.

By now, I hope that when I remind you of things NOT to do if you want to keep your capital, you'll have some better context to those mistakes, and this will be REINFORCEMENT for you.

In the next module when we start to talk about the Subconscious Mind, we'll see that if you want to AVOID doing something, then don't FOCUS on it. This is like the issue of "target fixation" where motorcycle riders are taught to look where they *want* to go, and not at the looming obstacle that they want to *avoid*....target fixation causes the bike to go where you're focusing. (hopefully that's towards clear road ahead and not that guardrail)

So I'm going to bring up the habits that I want to see you eliminate from your trading, and then I'm going to hit you with the Neuralyzer at the end of this module so you'll forget that we even discussed these things:



Don't Chase the Car

Dogs are the most raw, emotional creatures that I interact with on a daily basis. They literally *cannot help themselves* when they react in the manner that they do. A disturbing noise requires a BARK warning, and something moving requires them to chase it, at least when they're young enough to care. We've all seen dogs chase cars; how *dare* that vehicle move faster than they can? The inevitable indignant reaction is hilarious to watch, unless of course you're on a bicycle and you're the one being chased.

Yet we humans are susceptible to the same kinds of temptations, although in our case it's usually some kind of reward that we're chasing.

And it's been proven that the pain of sitting on the sidelines watching a market run away without you...is actually greater than that of an actual "stop-loss" hitting on a losing trade.

Think about that for a second, and remember the last runaway rally that took off without you. Drove you crazy, didn't it? Many of you will reach a threshold where you literally cannot stand the pain any more, and will finally enter that trend. This causes relief for about a day, before the price completely dumps right after that. Congratulations, you just bought the "highs." Few things are worse than that, and you will spend days convincing yourself that a "bounce" is right around the corner as the price continues to rip lower day after day.

In my case it was years and years of "chasing" rallies exactly like this one, not entering at the bottom because it didn't "feel right," watching it rally like crazy and waiting for the pullback...*(it's gotta pull back at some point!)*...and then finally getting impatient/frustrated and jumping on board. Every. Single. One.. of those entries led to a loss, some of them being significant losses. Perhaps you're less "thick" than I was, but eventually I learned to STOP doing this and start to focus on getting an earlier entry that felt less "good" to enter.

Dogs that chase cars will eventually catch one and be sorry that they did. Never, ever chase a parabolic rally....focus on entering them when everyone else is skeptical.

Get Your Head Out of the News

Humans crave certainty; as a rule we don't like this messy business of trading risk and not knowing the future.

Gotta quick bulletin for you: **No One Knows the Future. Period.**

No matter how much "news" you consume, there is no source, regardless of format, that will give you any credible view into the future. All you'll hear is OPINION which can be very persuasive. If you buy into that person's opinion, then you will kick into the dreaded mode of CONFIRMATION BIAS.

Confirmation Bias is a particularly nasty little trait that we gravitate towards, because of the way that the Subconscious Mind works. If a pundit issues an opinion that aligns with your current Belief System, then it is automatically "accepted" by the Subconscious Mind as "valid." This is that "warm and fuzzy feeling" that you get when you hear certain people talk. They are aligned with your core beliefs.

The Subconscious Mind takes over from there, instructing your Reticular Activating System to "go find me MORE!" Ever been interested in a particular car? Got that car "on your brain?" Guess what? You'll see them EVERYWHERE now! This is the Reticular Activating System (RAS for short) doing its thing by "filtering" all of your sensory inputs. It's like a keyword search for the world around us.

So if a pundit (that aligns with your beliefs) issues a prediction such as "Coin XYZ will moon up to \$100k by this date!" then your Confirmation Bias will kick in and your RAS will be issued a directive to "go find information that is consistent with \$100k." And surprise surprise, you will dig up TONS of supporting information to confirm that target!

And when the exact opposite occurs, you will be blindsided and feel betrayed.

I've seen this same thing happen for years with thousands of people, and they're blind to it. Professionals are making their decisions on their own, with raw price data, and doing everything in their power to avoid someone else's opinion. Confirmation Bias can sneak in like a virus, and it starts with that desire to have "certainty."

If you MUST read news sources to stay "in the know," ensure that they are just that....and avoid OPINION. It's deadly.

Don't Look to Social Media for Guidance

Think about the challenge of this one for a minute. In the 21st century we have now become 100% comfortable with “socializing” our basic decisions. How about:

- **Restaurants** - Checking Yelp! reviews before you go out and eat.
- **Buying Stuff** - You make decisions based on how many “stars” that item gets from Amazon reviews.
- **Reviews** - We also make buying decisions based on written reviews for the vendor, item, or provider.

Think about it, we have an entire generation that has grown up implicitly trusting advice generated from strangers. You IMPLICITLY trust those reviews, don't you? I sure do, especially those reviews that have a well thought-out reply.

And I will agree with you if you find value in those contributions, however I'm here to warn you that using that same logic to listen to others that give financial advice....***will destroy your capital.***

By listening to others' opinions and advice, you automatically become part of the Herd, since everyone else is likely listening to that same source. Now, to be sure, there ARE great sources out there dispensing super advice....but how do you know the difference between the “good” vs. the “bad” advice?

And as we just pointed out, more than likely that Twitter user's advice is just OPINION which will lead you straight to CONFIRMATION BIAS.

If you're going to use social media as an investing tool, use it to determine what the crowd is thinking and doing, and find ways to create edge by positioning yourself AGAINST them.

Don't Wait For Setups To Feel Right

One of the stages of the “Trader Progression” addressed this concept. Newer traders who are somewhat timidly learning the ropes will very likely be trading with scared capital, so they will wait until ABSOLUTELY EVERYTHING lines up perfectly. And they'll pat themselves on the back by claiming to be “disciplined.” Hell no, they're frightened out of their mind and their Subconscious Mind is forcing them to wait.

Ever had a trade setup signal fire, and you say....”No...I'm going to wait on CONFIRMATION before I enter!” You might as well admit that you're scared to death because you lost the last 4 trades and want more “certainty” before you enter the trade. You want MORE ASSURANCE that this trade will work out!

I've got news for you...the very best setups will almost ALWAYS feel absolutely terrible to enter. Maximum reward-to-risk lives on the edge of fear. And conversely, the setups with the least probability of working out are going to be the ones that “feel” safe to enter.

Stupefying, isn't it?

And if you last long enough, you'll soon come to look for this “fear” before you enter the trade. Some call this being “contrarian.”

Don't Puke Because Others Are

There's a classic movie scene from the movie "Stand By Me" where a small town is having a pie-eating contest. In the middle of the contest, one large boy's stomach can't take it any more and he explosively hurls onto the next contestant. This sets off a chain-reaction of sympathetic projectile-vomiting from everyone present.

I'll spare you the obligatory screenshot. You've been around situations like this before where one person's misery soon makes everyone else feel bad as well.

And because we invest as Herd animals, sell-offs in financial markets create contagiously fearful reactions.

Remember, your Subconscious Mind is highly tuned to protecting you, continuously alert for fearful situations where it can step in and "save you."

Being part of one of these "mass immolations" can be very dangerous to your capital. People acting together tend to act in concert to become their own worst enemy. Fear and uncertainty is contagious in creating panic reactions. Remember, "fear" is what truly moves markets.

Look, I'm not suggesting that you "hold at all costs;" far from it. I'd hope that your risk management controls would keep you out of these situations with tighter risk controls to prevent your positions from being part of a death spiral move.

But here's my main point...when everyone else is this fearful, you should be asking the question, "Is there any advantage to taking the other side of their trade?"

Trading “Not To Lose”

I’ve brought up this bad habit earlier in the program. There are at least two ways that it can creep into your trading:

- **Trying to “Ensure a Winning Trade”** - If you begin the internal dialogue prior to a trade with the language, “I *have* to win this next trade!”...then you will approach this trade with a desire to ***not lose*** the trade, instead of winning the trade. That might sound like splitting hairs to you at this point, but you’ll actually see a huge difference in the potential performance between those two attitudes. This almost guarantees that you will “choke off” any profitable exit as it just creeps into profitability. (eating like a bird)
- **Trying to “Reduce the Loss”** - This type of action will come into play when the price does not immediately move in your desired direction. Your Subconscious Mind will start to replay every previous trade where the price really dropped hard after such an event, urging you to “*get out before things get really bad.*” On top of this, you’ve heard the professionals say, “cut your losses!” so you close the trade, only to see it move violently in your forecasted direction the very second that you closed it.

Normally the “Trading Not To Lose” syndrome hits when you don’t really trust the system that you’re trading, and you’re terrified of losing capital. You think that you can somehow “control” the outcome of the trade, that some setups are “better than others” and if you just wait for everything to *feel just right*, then you can increase your likelihood of a positive outcome.

Another Bulletin: Trade setups almost never announce themselves as being “low risk.” In fact, it’s quite the opposite. High-velocity moves occur because the majority have positioned themselves incorrectly (more than likely because the setup felt low-risk) and are getting spanked and must exit at great pain/loss. How can you set yourself up to be on the opposite side of them?

Summary - Actions That Will Lose You Money

In short, all of the habits that newer traders bring to the game which they call “common sense”....are all habits that will lose them money until they can figure out the rules of this business. EVERYONE brings the same set of “conventional wisdom” thought patterns to the market, and the sooner that you stop thinking like everyone else, and more like a seasoned pro, the sooner that you’ll be able to start earning your “fair share” from the markets and stop funding others’ accounts.

It’s likely that some of these will come as a shock to you, and you might even disagree with me on principle. After all, these are common sense rules that are part of your DNA and provides the basic guidelines of “survival” to all of us that hope to reach an advanced age. After a lifetime of hearing “don’t play in the street, it’s dangerous” I’m telling you the opposite. The street is where the opportunity is, you just have to think differently than everyone else to keep your fair share.

Homework and Next Steps

Please complete the following tasks before moving to the next module:

- ☐ Watch the associated video for this module.
- ☐ Do an honest assessment; have you been guilty of any of these actions in the past?
Did these decisions work out for you?