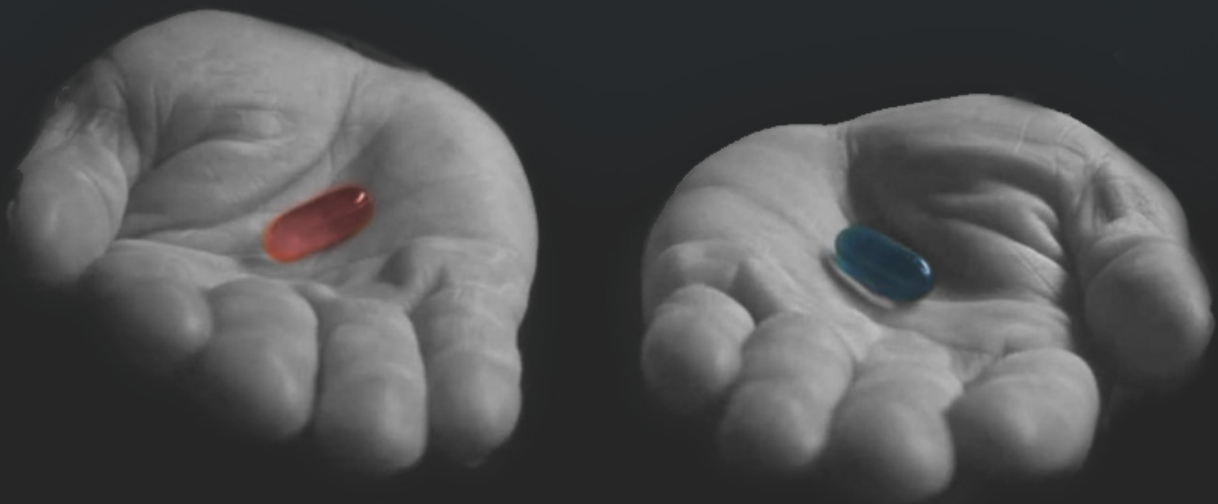


THE RED PILL

The Hard Truths About Trading from a Man Who's Lived Them

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After this, there is no turning back. You take the blue pill - the story ends, you wake up in your bed and believe whatever you want to believe. You take the red pill - you stay in Wonderland and I show you how deep the rabbit-hole goes.

- Morpheus, The Matrix

Foreword: By **Charlie Bathgate**

I am not a trader.

My entire life, I've been surrounded by traders. My father, my best friends, my co-workers, my business partners. I am intimately familiar with it and yet I've never placed a trade.

So I am often asked: why the hell do you devote yourself to work that is 100% centered around trading?

To do trading well, you have to be consistent. In that sense, it offers a window into our fundamental human nature. The success rate of attempted traders is notoriously low, and yet everyday more people open up accounts with a brokerage because they believe they have something that the rest of the world doesn't.

Great traders bow at the feet of that which is undeniably more powerful and larger than they are, and they use that awesome force to shape them.

In the past few years, I've had the pleasure of meeting all different kinds of traders—from those who have no business putting their money on the line, to legends of the Chicago and New York trading floors with nine digit net worths. Options traders, futures traders, equities traders, forex traders; black box, grey box, and discretionary traders; traders with Harvard PhD's and traders that

didn't graduate high school; technical traders, momentum traders. You get the point.

And as I've met and continue to meet them, I am constantly assessing what differentiates the ones who make it from the vast majority who don't.

Intelligence plays a role, but trading is not an IQ test.

You need experience to be a consistently profitable trader, but experience in and of itself doesn't mean you'll make money.

I uprooted my life in 2012 to move across the country and help start this firm because my partners and I agreed on one underlying principle: to consistently excel at trading, one must achieve self-mastery.

Good traders understand the markets; great traders understand themselves. The best of the best grasp their strengths and weaknesses on intellectual, psychological, and existential levels. Once they've identified the things that work against them, they've developed systems, strategies, and (increasingly) technology to protect themselves against their own flaws and accentuate their talents.

There is something magical about how the market reinforces much deeper, existential truths-- the kind of stuff typically reserved for spiritual or religious contexts. You cannot conquer the markets. Great traders bow at the feet of that which is undeniably more powerful and larger than they are, and they use that awesome force to shape them.

They learn to listen, watch, and feel the markets. They understand that if they can quiet the noise in their own heads and discern the whispers from the financial cosmos, they'll be just fine.

At Sanglucci.com, we can't offer to fight battles for you. But, we can help you become aware of some of the ones that may lie ahead, share experiences that will help you navigate your journey, and give you a place in our community of like-minded individuals who can help you along the way.

If you allow it, the market will draw out your best self. It will push you to constantly evolve in every aspect of your life. If you reach the highest level, the money you make or lose will be secondary to the greater purpose of your trading.

There is no better person to learn from in this regard than Anand Sanghvi, founder and head trader of Sanglucci.com.

I hope you enjoy the book.

Introduction

I throw a lot at you in the next few pages.

My goal is to share some of my experiences to make sure you understand what trading is really about. There are too many services out there promoting trading as though it's an easy way to make money. We all wish that were the case. The reality is that trading with consistent profitability, over a long period of time, is difficult. Many think they can; very few actually do.

Hopefully, once you start experiencing these things for yourself, knowing that someone else has been down the same path will give you some much needed perspective.



Anand Sanghvi

- Founder and Head Trader at Sanglucci.com

If there is one thing a trader can expect to do everyday, it's fail.

The thought of failure makes me cringe. It makes me think of how my friends' and family's perception of me will change. It makes me think of all the past mistakes I've made that could've changed the course of my current predicament. I become fearful of the future and having to walk down a completely different, unfamiliar path. I start saying to myself, "if I fail at this... what the hell am I gonna do?"

To understand trading, it helps to think of it like it's a "normal" job for a second. If you work at a for-profit company, you are generally paid according to industry standards, and in return, the company gets the fruits of your labor. For the purposes of this exercise, there are two types of employees: those taking risk and those who aren't. A B2B salesman for a software company might get paid entirely on commission. That's a lot of risk to take, and that's why he can make a million for landing a huge client. The accountants for that same company might make \$80K/year for keeping the books. They've opted to avoid risk. The logic behind their differing compensations is that the risk and stress for the salesman is much higher because he's not guaranteed any income. More risk means more potential reward, plain and simple.

They'll fail soon enough, but it's that failure that will launch their careers.

Taking a secure job ensures income and pretty much removes the stress of successes and failures determining how much you make. Now, that's not to

say these “low-risk” jobs aren’t strenuous and full of opportunities for both failure and accomplishment. But they are not the same as jobs in which compensation is 100%, directly based on performance. If you “eat what you kill” and subsequently don’t kill anything, then you don’t eat. Your margin for error is much smaller, and the consequences are severe.

Now let’s think about trading in the context of a normal job. Just imagine walking into work and knowing that , most of the time, you are going to be wrong. On top of that, your sadistic boss has put a screen next to you that meticulously tracks the consequences of all of your decisions. And don’t forget, at the end of each day you are compensated entirely based on your performance; there are no colleagues that can carry you or base salaries you can use to coast.

That means you could go YEARS and not make any money. In fact, if you don’t perform, your boss will actually take money from your bank account. Yes, this job could actually cost you money.

Who the hell signs up for a job like that?

Traders.

As a career path, trading is defined by failure in that every single day you will be wrong about the markets. I know you’re sitting there thinking you may be different, and that’s a nice thought, but you should forget it.

The best traders in the world are wrong, a lot. They’ve just learned to minimize their losses when they’re wrong. More importantly, they’ve redefined their emotional reaction to failing. They accept failure as part of the game, and in so doing, they take away its power to distract them from their trading.

Most who attempt to become traders at an early age, equipped with their youthful arrogance, believe that they can go about the game without experiencing what everyone else has in the years before them. They think they can reinvent the game. They'll fail soon enough, but it's that failure that will launch their careers. Only then will they accept what it really takes to achieve success in this business. Only then will they accept the fact that failure really is the best teacher, and that it's the last thing they should be afraid of.

You're long 600 OTM front month puts of Priceline (PCLN) from a cost of about \$4.

Your hands are shaking uncontrollably and the synapses in your brain are firing faster than dual RCP-90s in the original GoldenEye. The market has already put in a significant move lower, and you missed close to 100 points on this fast moving, volatile online travel company, but you're going for what you're telling yourself will be "round two".

Now, as the market pushes in all the late shorts, you're up \$100K fast, eager to capitalize on the assumed perception that the charts are now broken. Your position looks better than Kim Kardashian's behind in Paper magazine and you are soon convinced that by the end of the trade your account will show that you're 7-figures richer.

But, mother market has other plans.

The only thing worse than doing the work was continuing to dream about doing big things in my life without knowing what it would take to achieve those lofty goals.

It seems there are now entirely too many people betting on the same direction as you. What happens next you can't account for because you're blinded by the green digits on your P&L tab. In seconds, your profit dwindles to about

\$20K as the liquidity behind the current bid of your options evaporates. You queue up your sell orders, only to find there's no bid you can hit for the price you want to sell. You hesitate, and subsequently that hesitation loses you the possibility of booking the trade for breakeven. You freeze.

This is when you start lying to yourself.

A wave of self-doubt crashes onto your subconscious, prompting a barrage of testing questions. The intention is to analyze your current situation; however, what ensues is a confused justification of irrational thought. Emotions have now clouded your judgment and you can't accept the fact that you got into the position too late. The truth that you are the reason the trade didn't work is too much to look at, so you run from it.

Sound familiar?

This is just one example of how a heightened state of emotion can lead you down a road of poor decision making in your trading career. So why do we lie to ourselves anyway?

As emotional creatures, humans have the propensity to trick themselves into believing things they would rather be true and run from the realities that threaten their sense of self. When I was younger I had dreams of the things I was going to accomplish. I proclaimed that belief with every cell in my body. The problem was that there was no action behind the simple thought itself. I was the quintessential teenager who would just talk about doing things to make my peers jealous or see that look of respect in their eyes.

Luckily for me, I had a father who put incredible pressure on me to prove myself. He constantly told me I was an idiot, and, most of the time, he was right.

I was about 19 when I decided to begin working with a company called College Works Painting. It was a franchise located in several states across the U.S., with the largest branches located in California and the Midwest. Each state branch had a Vice President whose job it was to find talent at the local universities to run their own painting businesses. I was that talent.

The program was intense. In fact, it was the hardest thing I'd ever done in my life at that point. It required me to learn how to be honest with myself and the people around me. As a manager, I had to market, manage, budget, negotiate, and compete. I'd wake up at the crack of dawn, strap 40' fiberglass ladders on the roof of my Toyota Rav4, and hit the jobsite. If my 17-18 year-old summer job painters didn't show up, I'd have to hustle for backups or break out the paint sprayer and fill my 5 gallon bucket with scrapers, electric sanders, trim paint, plastic, tape and jump on that ladder myself. Painters had to be trained on how to run a neat job site otherwise the homeowner would go nuts and I'd lose the job or have to pay for damages.

In the same afternoon, I'd have to reach out to prospective leads, who after a 5 minute phone call the night before, had been set up for a free estimate. I'd walk them around their house, convince them that they needed my services, try to rebut any and every objection they came up with, and then sit them down to try for a deposit check. Aggressively selling anything requires you to ASK for the sale, thereby forcing you to dump your fears of what they may say in return. Sales forces you to admit to yourself if you don't book this job now you are not going to get it.

After that, I'd round up my 13 year-olds at a local meetup and bring them to areas I needed to canvas with marketing materials. I'd arm them all with a big speech about how a local college kid started his own business and would like to see if you want a free estimate. I'd pay the kids \$10 a lead and keep it

moving all the way through different neighborhoods. At night, it was phone call time, setting up more leads.

Each morning I'd wake up next to my girlfriend and pray for rain or some excuse not to have to get up and deal with all the problems that came with each day. Many of the other college kids who were running businesses in the surrounding towns quit and quit fast. But, I didn't quit, because I couldn't lie to myself anymore. The only thing worse than doing the work was continuing to dream about doing big things in my life without knowing what it would take to achieve those lofty goals.

I made about \$20K my first summer and the experience molded me into the "no excuses" man I am today. Whether it's trading or starting a new business, the first step is honesty with yourself. Without that you can't be honest with what's happening in front of you, especially not with anything that's happening on your trading screens. We're talking deep-rooted human instincts and habits that need to be explored and overcome. The only way you can find what's required of you in order to achieve a specific task, be it as small as knowing when to sell a position that has gone bad or as big as knowing when to break off a relationship, is to continually overcome your desire to protect yourself from the uncomfortable truths.

Close your eyes for about ten full seconds and think of all the things you hate doing in life but still do anyways.

Think deeper than just the normal hatred for your job or any plainly visible undesirable situation. Think about the things you hate about yourself –maybe your propensity to think negatively about your environment and the people around you. Perhaps you hate how you’re too nice to people or that you’re too much of an introvert.

Now think about the validity of using the word “hate” in all the things you claim you deplore. You will find that you use the word hate when speaking about something you have to do over and over again. Ironically, the very tasks we perform everyday with monotonous precision are the same responsibilities we often come to loathe the most. These actions lack the spontaneity we think we need to feel alive as humans.

They know that no matter what they do, there will always be days when they’re left flat on their backs looking for an answer in the sky.

Here’s the shitty part of it all: repetition is the only way you can learn to achieve your goals consistently. Think Malcolm Gladwell’s 10,000 hours. It’s the basketball player who shoots 1000 free throws a day for 15 years who makes it to the NBA, not the one who practices when he feels like it.

Now, imagine spending 10,000 hours on something without receiving direct benefit for your time spent.

For traders, hatred for our jobs is compounded tenfold by the simple fact that the task itself cannot be accurately executed with the kind of solid precision that usually comes with so much repetition (provided you're a hand trader manually clicking buy and sell orders). Every day we wake up and the market changes, whether it be from adjustments made by other large participants, market makers and movers, or a news catalyst promoting a sharp increase in volatility. To achieve success, traders can only really control their inputs. A trader repeating the correct sleep patterns can ensure that his mind is fresh every morning and is mentally prepared to move into and out of a given security within seconds, if need be.

A trader who has refined a healthy, consistent diet can safeguard the brain and body against physical and mental struggles that impede his success. Now again, imagine doing all this plus repetitively performing another infinite number of 'input' permutations for an unsecured and often times improbable outcome.

How could you not go insane? How can one live in a world of repetition like this and still come up short?

We tell ourselves that once we reach a certain level of profitability we'll be on easy street, but any real trader knows it doesn't work like that. The market constantly evolves as the players within the ecosystem advance in technology and know-how. Structurally, the markets have never been more complicated, which means there are plenty of places where smarter players can run right over retail traders and lead the proverbial herd to slaughter.

Your life's work is to find purpose. Some find that purpose early, while others spend their last days still searching. Traders often put their true purpose on hold as they seek a measure of wealth and security. The problem here is that while you're attempting to secure yourself financially in order to achieve the lifestyle to devote to your true purpose, life slowly passes you by.

I trade because it affords me the ability to be myself and be free in all aspects of my life, with no exceptions. But guess what? For the untrained mind, the market is a trap. It dangles your dreams right in front you and more often than not, it yanks it back a la Lucy in Charlie Brown. You're left flat on your back looking for an answer in the sky.

Professional traders hate trading because it is relentlessly exhausting. They know that no matter what they do, there will always be days when they're Charlie Brown.

That's trading. It's frustrating as hell.

Sporting a spring seersucker tailored jacket, fitted dark blue denim cuffed jeans and a spread collar white metal button shirt, I walk surely, with a stride fit for the likes of Will Smith.

My style these days is clean: earthy tones with a subtle pop which might come from a faded red leather band on a chic metallic watch, or in tonight's case, a bright colorful pocket square. I cleared about \$2 million for the year trading options in highly liquid names like Apple and Citigroup, and tonight I am attending a charity event in a posh, trendy restaurant in the West Village of Manhattan. The restaurant, which is off-limits to the public for the evening, boasts the finest in Asian fusion cuisine and is quickly becoming the underground hideout for many of the city's downtown socialites. There's a kinetic energy coming off me as I walk into the private engagement and I quickly become the center of attention with friends pulling me in different directions for a fresh round of introductions. My story is already known in these social circles and I can tell immediately by the silent nods of acknowledgement from people I've never met before. Today is a good day.

You are your own worst critic, and there's no escaping yourself.

Fast forward 6 months...

Trading session after trading session, loss after loss. It's been days since I've put up a winning trade. They say you're only as good as your last trade, and it's true.

Six months ago I couldn't wait to spring out of bed with every intention of accomplishing the impossible. Now it takes me an hour and change just to gather the motivation to face the inevitable onslaught of self-doubt nestled underneath each waking thought. I avoid social situations and all forms of human communication, often shutting my phone off. My friends have figured out that if I'm logged out of Gchat, then something is horribly wrong. I am consumed by thoughts about how I am perceived by the outside world now that I'm on a losing streak. Searching for anything to occupy my mind, if only for a moment, I find ways to drown my sorrows and cast myself deeper into a downward spiral. I become a prisoner of my own thoughts.

“Man looks into the abyss, there’s nothing staring back at him. At that moment, man finds his character. And that is what keeps him out of the abyss”

The above quote is from *Wall Street* (the REAL one from 1987). The words are spoken by Lou Manheimm, an old-school colleague of the young, ego-centric protagonist, Bud Fox, played by Charlie Sheen. Bud engaged in insider trading to impress Gordon Gekko, the man whose unfathomable wealth and power he envied so much. Manheimm speaks his words of wisdom to Bud as he awaits the police's arrival. They are coming to arrest him.

Wall Street earned its iconic status because it captures the emotions that drive traders and investors to forget themselves. That's where I find myself—staring into the abyss—needing to reaffirm my purpose, which I've buried under layers of negative assumptions about my future. I've been here before, though,

and know how to snap out of it. Just as quickly as I dug the hole, I'm back at it like nothing ever happened.

The ups and downs of a highly volatile trading strategy can weigh on the mind. It can add pressure and inner voices that seek to control your activity and your overall mental conditioning. My close friends always understand, but everyone else sees the person they want to see, not the man and the mind inside. The mental battles I go through everyday consume every ounce of energy I have and often affect my general mood and how I carry myself in public. Even when I'm on cloud nine there is pain, anger, frustration and desire etched into my very voice and character. Nobody understands this feeling except for high-level traders who've made and lost millions in their lives. It's the loneliest endeavor you can imagine. You are your own worst critic, and there's no escaping yourself.

The swings I personally go through are bigger than the ones faced by many traders. In fact, plenty of my students (and current friends) have taken what I've taught them and applied it with less risky strategies. They have their swings, but not like I do. The common denominator among all of us is that we've made a conscious decision to choose a strategy and a risk profile that we can live with. I've made the decision to live with the swings. Many others don't want that life, so they don't choose it.

Let me be clear: the real meltdowns in trading occur when a trader puts on risk he or she isn't willing to accept. Sooner or later the consequences come roaring around the corner, and that's when things get ugly. The trader that accepts the consequences of his or her decisions before pulling the trigger is the one that stays out of the abyss.

I'm holding a monster position in every one of the major banks long. After accumulating about 10,000 contracts spread out on the call side with different strikes and expirations, I'm expecting a gap higher on the S&P.

That would cause my names to follow suit and open above today's close. My average cost in Goldman Sachs, Bank of America and Citigroup calls is \$1.20, \$.08, and \$.41 respectively.

The S&P futures trade all night during the weekdays and are indirectly affected by trading and news in European and Asian markets. Europe has been in the news recently for rumors that they will experiment with similar quantitative easing strategies used by the United States to boost the economy after the recession. At 3am the European Central Bank (ECB) announces a trillion+ Euro bond-buying program, well above analyst estimates and expectations. S&P futures rally 30 handles in seconds. At 8am I grudgingly awake, after a night of entirely too much Jameson on the rocks, to the SPY trading up almost 4 points. All the banks have gapped considerably higher and I estimate my options to open up to almost triple their value from the night before. My P&L should close in on 7-figures by day's end. Once again, I've made a million dollar trade.

You constantly walk a fine line between selecting trades that allow you to sleep and pushing the boundaries because you feel you're on to something big.

Shit. It was just a dream.

The ECB announcement was a figment of my imagination. It's 4am and I've slept about an hour after stumbling home from a bar named "who the hell knows I was drunk". As I start to enter the purgatory between drunk and hungover, I feel movement next to me. I anxiously turn my head to see who lays beside me. I find a close girlfriend who has always boldly claimed she'd never have sex with me... never in a million years. My facial expression at that very moment was akin to receiving unexpected news about closing a business deal that you were sure you had lost.

I struggle to piece together the events of the previous night, but then I remember my current market predicament and instantaneously sober up. I'm long a boatload of contracts that are underwater and I know death is in the adjacent room, perched right atop my four trading monitors. For the last three days I've gotten no sleep. Instead, I've been parading around town trying to forget how terribly the market has been treating me, incessantly worried that I'm positioned in the wrong direction acquiring call options in these major financial institutions. I'm down about 40% on the position from premium erosion due to a complete lack of trading volatility.

The market has gone dead and I'm betting on a break higher from the lackluster volumes and dried up buying sentiment. I click the power button on my phone to check where futures are trading, with a clear image I had dreamt of the futures up 30 handles still in my head. The Galaxy S4 is set to the brightest setting, decisively planned based on the fortuitous event that I'd pull a number or two from an interested girl at that dimly lit bar of which I still can't remember the name. The immediate presence of blinding light forces my vision to correct itself. My heart starts to beat faster and I quickly pull up Marketwatch.com to find the futures trading flat.

Another day to sit, hold and wait...

You'll go through many of these types of nights as a trader. It doesn't matter whether you're in the equities, futures, options, bonds or foreign exchange markets. Holding overnights is never easy, especially if you're trading size and taking a considerable amount of one-sided directional risk. You constantly walk a fine line between selecting trades that allow you to sleep and pushing the boundaries because you feel you're on to something big. Either way, you'll find yourself dreaming of red and green ticks, charts exploding and imploding, and big buy or sell orders popping up in your brain's manifestation of a Time & Sales and Level II.

You choose what risk you take and you must learn to live with it, or those sleepless nights will eventually destroy you, your health, your personal life, and even your sanity.

The world is now literally at our fingertips—smart phones, social media, ubiquitous internet access.

Apps can perform tasks as specific as finding you delivery for Vietnamese pho to indulgences as broad as scanning for the right spouse among thousands of possible candidates. Social media can leave you interacting with similar inquisitive-minded individuals and groups from the other side of the world about topics that you never would have imagined. The buzz flows quickly these days, moving within seconds from the latest ISIS threat to the new viral Jimmy Fallon YouTube video, or even to the latest hack attempt aimed at infiltrating a Fortune 500 company. The information the mind desires is instantly available.

Many of these traders want money because it will afford them time and opportunity to understand and work on themselves.

In my admittedly jaded opinion, all this accessibility and convenience has pushed people towards a lifestyle of ‘seeking’ versus looking within to develop a basic knowledge of the self. We consume ourselves endlessly with other people’s lives, whether it be through their jobs, their exploits, their clothes, their level of income, their personalities or even deep into their personal lives. We relentlessly compare, all the while leaving our true selves behind buried under misguided desire, false senses of reality, and remote dreams located far beyond reach.

Ever think about why there are so many ‘life coaches’ and personal branding mentors lately? I think it’s because of the constant affirmation, through your false beliefs fed to you behind incessant comparison to others, that you are not worthy in appearance, in ability, in intelligence, in your overall value to the outside world and even to the people around you.

Comparison, when it comes to trading, is no different. You might scour the internet, researching different strategies and those who claim to utilize those same strategies for profit. Subsequently, you may decide to use that strategy or a derivation of it and attach your success/failure directly to that individual’s advice. You might find yourself on Instagram immediately attracted to the lavish lifestyles being pitched via videos of exotic lands, pretty women, eccentric cars and fast money. You find yourself on Twitter comparing your progress against many of the other hopefuls, young guns, or “gurus” who post trades daily.

Unfortunately, these paths will lead you towards finding value in only the material, leaving all self-worth and value by the wayside. Eventually, you end up attempting trades in markets or products that you know nothing about in search of the affirmation that you’re on the right path and achieving similar goals and milestones that others are able to reach.

I spoke at the University of Massachusetts Lowell recently to a diverse, young and eager crowd of finance students looking for advice on potential careers after graduation. One thing I noticed immediately was their sense of entitlement.

Granted, part of it was simply youthful arrogance, but every one of these kids had expectations of what their lives were going to be and compared their education, their social experiences and their abilities to other young

entrepreneurs who have already been successful building and selling apps or securing high paying jobs straight out of college. Most of these kids really had no skills and have proved absolutely nothing to the world, let alone themselves. Yet, they wanted the whole world right there and then, as if it was owed to them and all they needed to do was scan their club card!

A life of comparison means any success you create is meaningless. I can't help but remember the description of Edward Norton's vapid, weasley character in *The Italian Job*, "No creativity, couldn't decide what to buy, so he had to buy what everyone else wanted."

Since I've started assisting people in the markets, I've always taught them that trading is a path of self-discovery and that a strategy must fit with your personality. The endless process of self-reflection and digging deep into your own mind to find what makes you distinctly "you" breeds your tailored trading strategy and infuses itself into your decisions. First you learn the game, and then you learn you. Without you, there is nothing: no profits, no consistency, and no dreams.

I've wasted years expecting myself to be worth a certain amount or to have a specific lifestyle by a predetermined age. Those expectations, whether built by comparisons to peers or by troubled environmental pressures from family or bleak financial situations, weigh on the soul and keep you wanting instead of effectively building. To test your comfort zone is to test the very thing that makes you who you are. Unfortunately, with the systems that control and govern our lives these days-- corporate environments, health insurance, student loans, home ownership, and even local political landscapes--it is difficult to find the room to test yourself. Some folks are luckily born into situations where they are allowed more opportunity to make mistakes than the average individual.

They can afford the sizeable tuition and living expenses at top higher educational institutions like M.I.T or Harvard. The family business and accompanying wealth might be passed down to them. They might be able to live with their parents for a considerably longer period than others. For those who are not in that situation, their life-determining choices often arise because they don't have the money to even have a choice.

That's why trading is so difficult for so many that attempt it seeking money. Many of these traders want money because it will afford them time and opportunity to understand and work on themselves. And yet their odds of achieving success by trading are tremendously low—until they've put in the work to understand and work on themselves.

It's a wet, grey morning in Salem, New Hampshire, a town 45 miles North of Boston.

I sit in a dark open office space with the only light emanating from the three 30+ inch monitors spread across trading rigs on long, custom tables. I'm seated in the 1st row next to one of the head traders. I'm shadowing him to try and figure out how he's able to extract profits daily using a strategy simply known as 'scalping'. I'm just learning how to trade.

He speaks in a monotone voice with the character of a man perpetually unsure of the words coming out of his mouth. His hands are in a constant state of tremor, and when conducting training sessions on the whiteboard after the close, his seemingly weak condition is displayed for all to see. Watching him, I couldn't help think that if his anxiety consumed him to the level where it showed physically, then maybe becoming a trader wasn't a good career choice for him.

**And at the root of that directional bias is almost
always a personal need or desire.**

Most of the training is focused on understanding the 'tape'-- the combination of the Time & Sales and Level II. The core concept of tape reading is simple: he's looking to see if there are sudden changes in supply and demand. For example, if he sees a slew of transactions take place on the bid, but prices don't depress, that means that buyers are chewing up all of the supply. If buyers keep reloading their bids despite sellers' attempts at offloading more

shares at lower prices, eventually price will increase. Sellers will subsequently back off, shorts will cover by buying back on the offer, and new buyers will get involved after seeing the demand increase.

In that sense, the tape is the source of the markets; it's the raw, untarnished origin of every single indicator, chart, and tick in the entire financial universe. Read properly, and it reveals actionable scenarios that often lead to profitable trades for many, provided the traders aren't swayed by any kind of directional bias.

Directional bias. Those words cause tremors in my nerves to this day even after seven long years of trading. Maybe it's the same two words that caused the steadfast nervous twitches of my former head trader. Therapists and psychologists come up with theories of new mental afflictions daily, and "directional bias" should be among them. It should be studied and examined for all of its unfavorable characteristics. To put it simply, directional bias explains a situation where a trader becomes mentally attached to where a security, in his/her mind, should go. Consequently, if the trader is wrong, he or she is unable to mentally detach themselves from that viewpoint. Eventually, this leads the trader to take a greater than expected loss on the trade.

After a year and a half of trading unprofitably, I come to a stark realization that will have a tremendous impact on my P&L for the next few years. I realize that the reason behind every trade I make is money.

How am I going to pay my monthly expenses? My daughter needs daycare soon; that's another grand a month. How am I going to afford it? My account is in the red at my prop firm. What am I going to do? If I make \$5K this month, I need to

shoot for \$10K next month. I have debt to pay. How am I going to pay it back if I can't make money trading consistently? I'm up \$5K on this trade, but if I could just make another \$2K, maybe I'll take the rest of the week off. I'm up \$50K, but man I need to hit \$100K by month end!

The solution was both glaringly obvious and tremendously difficult to put into action. I had to stop thinking about the money and focus on what the market was actually telling me through the tape. I had to let the market dictate the trades I would take instead of my personal needs and desires. Just like a baseball player letting the right pitch come to him, I had to tap into that higher level of performance that required me to listen, watch, and observe before acting.

This is no easy feat. Most who attempt this journey find themselves reverting back to racking up losses due to the disease of 'directional bias'. And at the root of that directional bias is almost always a personal need or desire.

Therefore, the simple and terrifying truth, is that in order to trade with consistent success, you must master your own desires. Instead of projecting your own needs—consciously and subconsciously-- onto each chart, indicator, pattern, and tick, you have to learn to wait for the opportunity to come to you. With a clear, calm mind and abundant self-awareness, you allow yourself the ability to take advantage of what's presented by the market rather than chase what you wish was happening. When you get there you will have reached a higher level of performance than most newcomers can even imagine, despite the fact that, with enough work, they can get there too.

You may be thinking to yourself right now, “I don’t even know if I want to trade anymore”.

If that’s the case, good. Our job at Sanglucci.com is not to convince you that making money is easy. We could take that route, and we’d probably make more money if we did, but it’s just not right.

We give you an antidote to the hype in the hope that you’ll stop and really consider your decisions before pulling the trigger and potentially wasting money.

Here’s what I’d suggest doing next:

1. Find a community.

Obviously I’m pretty biased here, but I really believe that Sanglucci.com is the best trading community out there. You’re not going to find a more diverse collection of professional traders and newcomers working and learning together, all with zero tolerance for bullshit. Having said that, there are plenty of other great trading communities. The important thing is that you find traders that you can learn from, network with, and talk to during your journey. DO YOUR DUE DILIGENCE. If you think something sounds too good to be true, it probably is.

2. Start working on yourself.

Self-mastery is not the sort of thing that comes from reading a book. You may already have your own methods for improving yourself and strengthening your mind—meditation, endurance sports, yoga, martial arts, breathing exercises, therapy, charity work, religion, writing—there is no “right way” to improve yourself. You have to find the way that works for you, and that will probably require you to make a number of mistakes. That’s okay. If you want our advice, we’re happy to discuss. Hit us up via the **contact form** on Sanglucci.com.

3. Get your finances in order.

The #1 mistake we see traders make is that they don't give themselves room to make mistakes. They quit their jobs and trade with their savings, putting them in a position where they have to make money. You should assume that you will not make money consistently for at least the first six months of your trading. If you don't have enough savings (separate from your trading account) to last you AT LEAST that long (a year is ideal) then you absolutely need to make sure you have another source of income. If you don't take these steps, you are handicapping your ability to develop as a trader.

We'll see you at Sanglucci.com.



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