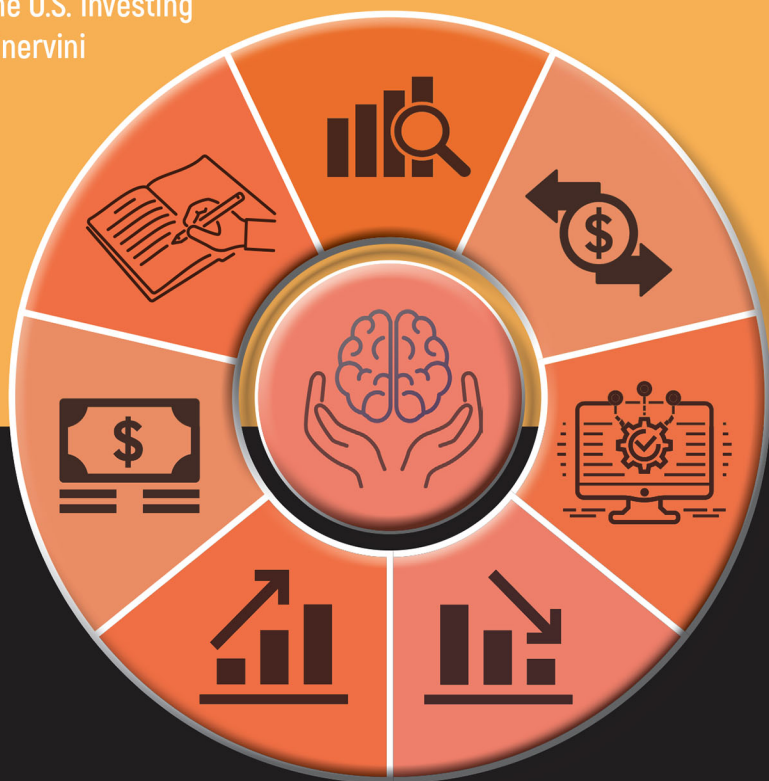


Foreword by Two-time U.S. Investing  
Champion Mark Minervini



# The Trading Mindwheel

Eight Essential Skills  
for Trading Mastery

Michael Lamothe

WILEY



## Praise for *The Trading Mindwheel*

“Excellent! *The Trading Mindwheel* is packed with many practical steps needed to become a more successful trader. It’s perfect for anyone who’s read *Reminiscences of a Stock Operator* (Lefevre/Livermore) and William O’Neil’s book (*How to Make Money in Stocks*) and is ready for more specifics. If you are serious about speeding up your learning curve, this is a great addition to your trading library.”

—**Mike Webster,**

Prior: IBD-Head Market Strategist,  
O’Neil Capital Mgmt-SVP/PM Ideas.  
Current Portfolio Manager for a private fund

“Mike explains trading psychology in a way that every trader can not only grasp but instantly apply to their trading. The tips and techniques that Mike shares are not going to be found in some random online blog; Mike has such a unique way of explaining things that you’re sure to find value in every sentence. Mike has been around long enough to know what works and what doesn’t work, and he conveys that incredibly well.”

—**Austin Silver,**

Founder ASFX.biz

“In his book, *The Trading Mindwheel*, Michael emphasizes the vital role mindset plays in a trader’s ability to profitably execute a sound trading strategy. Top-performing traders know that achieving trading mastery first requires overcoming mental barriers.”

—**Leif Soreide,**

2019 US Investing Champion and  
Founder of Champion Team Trading

“Michael Lamothe is the real deal. He is living proof that dreams do come true on Wall Street. He quit his nine-to-five and now makes a full-time living from the stock market. Michael knows what it takes to be successful on and off Wall Street. Michael does a great job of simplifying complicated topics that most people do not talk about when it comes to investing and trading

stocks. The proper mindset required to be successful on Wall Street is arguably the most important element that separates the smart money from everyone else. Traders at nearly all levels can benefit from Michael's work. I recommend Michael to just about anyone looking to get ahead! Keep up the great work!"

**—Adam Sarhan,**

Author of *Psychological Analysis*, Host of  
*The Smart Money Show* Podcast, *Forbes* Contributor,  
and Founder FindLeadingStocks.com

"*The Trading Mindwheel* covers important concepts that all traders should know and implement in their trading. It's an excellent resource for new and experienced traders alike!"

**—Rizwan Memon,**

Founder and President Riz International

"As a longtime buy-and-hold investor, I found this book to be a fascinating, informative, must-read for anyone interested in trading. As any trader knows, there is an emotional rollercoaster, and daily trials that need to be overcome, and Mike has successfully created an easy-to-follow guide that not only helps you develop the mindsets needed for success but also that will shave years off your learning curve."

**—Bob Lotich,**

Best-selling author of *Simple Money*, *Rich Life*

"The biggest misconception new traders have when learning how to trade is that their technical or fundamental strategy will be all they need to become a successful trader, but without the proper mindset, they will never find success as a trader. *The Trading Mindwheel* lays out eight essential skills that will be worth more to a trader than any technical or fundamental strategy they will learn."

**—Anthony Crudele,**

Futures Trader, Host of Futures Radio Show Podcast.

"Having been a trader and investor myself for many years and experienced many different market conditions, I fully accept that the ability to remain consistent and focused is essential. I have also realized that, at times, you can feel isolated and lonely. In the world of the Internet today, there is a sea of information, much of which is counterproductive to traders and investors. Quality resources are sparse. Even most successful traders keep their cards

close to their chests. I want to thank Mike for writing this book because this is what traders and investors need. The quality of this book is the standard of tool that actually provides traders and investors with an edge. A must-read for anyone serious about making a success of trading.”

—**Jason Graystone,**

Trader and Investor, Cofounder of Tier One Trading,

Host of *Always Free* Podcast

“Mike’s book is a breath of fresh air in an otherwise suffocating world of trading education. No bells, whistles, or promises, simply an inside look at what it really takes to be a consistently profitable trader. Most books spend far too much time teaching “secret methods” or “magic strategies” that promise to bring results. This one takes a no-fluff approach and focuses on the key categories that need to be addressed if a trader wants to become and more importantly, remain successful.”

—**Akil Stokes,**

Cofounder of Tier One Trading,

Host of *The Trading Coach* Podcast

“Michael goes *deep* on techniques, tactics, and self-analysis. In these areas, Michael *guides* us on how to use proven investing techniques and how to honestly do a good self-assessment on how to use the techniques and how to *improve your approach with the techniques!* Our best friend and our worst enemy greets us in the mirror each morning. The foundations given in Michael’s book will help you realize your strengths, your weaknesses, and *how to be the best investor you can be.*”

—**Patrick Walker,**

IBD Meetup Leader,

Founder of Mission Winners



# The Trading Mindwheel





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Eight Essential Skills  
for Trading Mastery

Michael Lamothe

WILEY

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Published by John Wiley & Sons, Inc., Hoboken, New Jersey.

Published simultaneously in Canada.

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#### Library of Congress Cataloging-in-Publication Data

Names: Lamothe, Michael, author.

Title: The trading mindwheel : eight essential skills for trading mastery / Michael Lamothe.

Description: Hoboken, New Jersey : John Wiley & Sons, Inc., [2023] | Includes index.

Identifiers: LCCN 2022053836 (print) | LCCN 2022053837 (ebook) | ISBN 9781119868248 (cloth) | ISBN 9781119868262 (adobe pdf) | ISBN 9781119868255 (epub)

Subjects: LCSH: Stocks. | Stockbrokers.

Classification: LCC HG4661 .L356 2023 (print) | LCC HG4661 (ebook) | DDC 332.63/22--dc23/eng/20230123

LC record available at <https://lcn.loc.gov/2022053836>

LC ebook record available at <https://lcn.loc.gov/2022053837>

Cover Design: Wiley




Cover Images: © pking4th/Getty Images, linear\_design/Shutterstock, nexusby/Shutterstock, Alexander Lysenko/Shutterstock, mayrum/Shutterstock

*Sometimes life sends us angels.  
I've been blessed with two.  
This book is dedicated to  
my wife Melissa and my daughter Lily.*



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# Foreword –

## By Mark Minervini

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Two-time U.S. Investing Champion

Several years ago, while traveling to New York City on business, I received a request from Michael Lamothe, asking me to meet with him. I agreed, and we got together at a local juice bar on Lexington Avenue. From that very first impression, I was struck by what a sincere, kind person he is, and immediately I took a liking to him. Since then, that initial impression has been confirmed, many times over. Today, I'm honored and proud to call Michael Lamothe a friend.

Over the years, I've watched Michael grow as a stock trader, a person, and a coach. He is truly motivated to help others. Now, in *The Trading Mindwheel*, he has brought that passion and motivation to fruition.

*The Trading Mindwheel* dives into essential areas of trading that are too often avoided: the psychology, the emotions, and other aspects that often go unnoticed and unmeasured. Most impressive, in this book Mike has done a great job of quantifying and delivering a systematic process for how to deal with the most pressing issues that most traders face daily: understanding the psychology and controlling the emotions that come with the risk and reward of trading.

From my own experience, and having written extensively about the importance of mindset, I can attest that emotions and psychology are what make or break anyone's success in any endeavor. In trading, you can have the best system that generates high-probability entry and exit points, but if you cannot master your emotions and your thinking, you will struggle. I know because I've seen it countless times with thousands of traders, and in my early days of trading I lived that challenge, too.

As I learned over four decades of trading, as well as in business, and competitive sports, success always comes down to how we think and what we believe. As I wrote in my own book, *Mindset Secrets for Winning: How to Bring Personal Power to Everything You Do* (Access Publishing, 2019): "Champions understand that hope is not a strategy. The best performers

never trust greatness to chance. Instead, they actively create the conditions that allow them to be at their personal best. They decide to be winners, and they live each day with that goal in mind, because they recognize that when conditions are right, nature always fulfills its promise.”

Michael takes this universal truth and applies it specifically and systematically to trading, with the wisdom that can only come from experience and the honesty that is derived from self-examination. He walks his talk on every page, sharing what he knows to be true for himself—and so many others.

I know from personal experience how much passion and work goes into writing a book. It involves far more time and energy than most authors ever get compensated for. The real reward comes from knowing how much you’ve helped others. And that’s Michael’s promise in *The Trading Mindwheel*.

In reading this book, you will come away with ideas, concepts, and tools that will help transform your thinking and your results. I highly recommend that you read this book—not just once, but several times. As with any great book, *The Trading Mindwheel* should not just be read, it should be studied.

There is no doubt that for Mike, writing this book was a labor of love.

For you, I hope reading it will be as well.



# Introduction

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## PRELUDE

Hi, this is Mike Lamothe. Thank you for taking the time to read *The Trading Mindwheel*. I hope you enjoy reading it as much as I enjoyed writing it. The process has been truly transformative for me.

The purpose of this book is not only to provide you with the basic framework for successful trading, the skills involved, and what it really takes, but also to show you how personal mindsets, psychology, and beliefs are interwoven into all aspects of trading. To drive this point home, I've decided to share with you some of my personal story—triumphs, failures, misfortunes, personal pain and suffering, and what it finally took to overcome those challenges and reach success.

What I've learned through the years is that at just about any juncture, things could have gone completely off the rails. Sometimes they did! However, unlike the movies, as long as we still have breath in our bodies, there isn't some absolute point of no return. There's *ALWAYS* a way for us to get back up, dust ourselves off, hit the refresh button, and carry on.

Enjoy the journey.

## THE START OF SOMETHING LIFE CHANGING

It was June of 2018. We were gathered to celebrate my dad's 70th birthday. A small gathering of close family and friends at my dad's favorite restaurant in Port Jefferson, New York, the Lobster House. After we ordered some appetizers and a round of drinks, with my three-year-old daughter, Lily, squirming in my arms, I held up a beer from a local brewery, took a deep breath, and stood up to say the following words:

*Even now this is challenging to say . . . Dad, more than 30 years ago you rescued me from what could have turned out to be a really, really terrible life. You are my hero.*

*A few years ago I read this book called Your One Word by Evan Carmichael. The idea he had was that there's one word that acts as your guiding light. Your north star, so to speak, and I discovered that my one word was "Inspire." There were a few exercises in the book that led me to pick "Inspire," but until recently I didn't fully understand why. I've now come to realize that it came from you!*

*A big part of this "one word" concept was developing a credo. Three other words help you define your one word. I chose "Believe," "Perseverance," and "Love." Again, I was doing the exercises but not fully comprehending what led me to select those three words. And then, it dawned on me. . . .*

*Throughout my life, Dad, you've always believed in me even when I didn't believe in you or in myself. When you and Mom divorced all those years ago and I came to live with you, it was hard. I was told many negative things about you, and back then I believed them all. I struggled with those negative beliefs for the first ten years we lived together. Perhaps you were able to tell I was struggling by my words and my actions. But despite all that, you never stopped trying, and you never stopped believing in me. For a decade you persevered to be the best dad you could be, not knowing if I would ever realize how hard you were working or even show you an ounce of love in return. You showed me so much love for so long that I just had to tell you this—you're my hero, and you're the person who has made me want to inspire others. And I know I don't tell you this enough, but I love you.*

Less than a year later my father died of a sudden heart attack. As much as it pained me to lose him, I was at peace because I had told him what I needed to say. I was filled with so much gratitude that I got to say what I wanted to say to him before he passed. So grateful that I didn't leave those words on the table. **What I said in that speech I would never have said if I hadn't put in the work to understand my beliefs**, where they came from, to shift my perspective, and to view what was once anger, guilt, and sadness from a traumatic childhood to now be important teachers. To understand that where we start out doesn't have to be where we finish. To understand that we have the capacity to begin these shifts in a heartbeat.

The most important things between us were said. He knew how I felt. He knew everything he struggled through meant something. And even as I sit

here and type this it brings a tear to my eyes . . . and that's the thing—that's the important thing. Life and all of its experiences can serve us *if we allow them to*. It may not seem like it in the moment, but even the harshest, most painful things in life can serve us. It's crazy how small actions such as reading a book and doing the suggested exercises can lead to results far greater than we could ever dream of.

**You may be saying to yourself, “That’s an incredible story, but what does this have to do with trading?”** Well, I'm glad you asked because the answer is *EVERYTHING*. It has everything to do with trading!

I decided to write *The Trading Mindwheel* because it is our beliefs that can either help us or hinder us with whatever it is that we wish for. Be it the ability to openly express our feelings, overcome childhood trauma, build a fortune, live a happy and fulfilled life, or simply trade better. I find it helpful to think of beliefs as you might an operating system in a computer.

Imagine, if you will, that you are getting ready to place a trade. You sit down at your computer, turn it on, and wait for it to boot. It takes a few minutes. but this is okay and totally normal to you. You're used to it. After all, this machine has served you well for the last 20 years, and as they say, “If it ain't broke, don't fix it,” right? It's been trusty, reliable, and comfortable, and you're used to it.

Sounds ridiculous, right? Who is still using the same computer from 20 years ago? But what if I told you that this is what most of us do with our belief systems? We continue to run the same old programming from 20 years ago. Perhaps it's time we take a look around and consider an upgrade!

This book is designed to help you discover and install many of the upgrades needed for successful trading. It will help you question and challenge the status quo. It will introduce you to the building blocks needed to lay the foundation for your successful trading future. We all need upgrades from time to time, myself included. The sooner we can admit that to ourselves, the sooner we can begin the process. If we're truly honest with ourselves about where we're at, it makes figuring out the path of how to get to where we want to go a lot easier.

Throughout this book, you will encounter many exercises. Just like my first book, *The MARA Mindshift Guide: A Trading Beliefs Workbook*, if you want to get the most out of this book, you must do the exercises. Skim through this book, and you'll still get value, but you'll be leaving a lot on the table.

Some simple coffee table wisdom my dad used to give me all the time was, “Always do your best.” Has anyone ever told you that? It's simple advice, but how often do we find ourselves doing less than our best? Here's another

question, How often do we find ourselves attempting to do more than our best? I don't know about you, but I've found myself on either side of that coin multiple times in my life. Funny enough, I've found it to be like a balancing act and one often leading to the other. Doing less than we're capable of and then scrambling to make up for the lost time, being gung ho for something new and exciting, rushing in without much of a plan or the wrong expectations, attempting to take on everything at once, and quickly becoming overwhelmed. Have you felt this way?

To stay on track, perform at our best, and achieve the results we're after, I find it best to:

1. Develop clear goals;
2. Develop plans to meet those goals; and
3. Focus doggedly on consistent execution of those plans toward those goals.

We'll discuss each of these—goal setting, plan development, and execution—in detail in later chapters. For now, think of goals as you would think of putting an address into a GPS. The more specific we are, the easier it will be for us to get from where we are to where we want to go. With clear goals, even when life puts up roadblocks and we get knocked off track, we can still find our way over, around, or through to get back on track.

You may find some of the exercises in this book to be easy, some of them hard, some of them quick, and some may take a while. All of that is okay. All of that is part of the journey. What I promise you is that it will all be worth it, and your efforts will be well rewarded in ways you may never have imagined.

In this book, we're going to leave no stone left unturned. I'm going to share with you everything that has led to my personal success and the success of the thousands of traders I've coached and mentored through the years. I'm going to share with you the ongoing efforts, strategies, and tactics we use for continuous improvement.

Maintaining success that lasts takes a certain level of tenacity and perseverance. I believe that we're all capable of this. That we all have it within us. And even if you're reading this and you're at a point where you're questioning if that fire within you has gone out, I'm here to let you know that it can always be rekindled, relit, stoked—and it can grow!

While this book shares much of my story, this book really isn't about me. It's about you. It's about your journey. It's about the things that will help you achieve the levels of trading success that you are after and beyond.

The stories in this book are meant to inspire, offer a fresh perspective, help you avoid errors and traps. Learn not only what really works but why it works. At the time of this writing, I have traded for over 20 years. My first account was opened in the summer of 1999. Since then I have made more mistakes than I thought existed. I've suffered several blown accounts. I even swore that I'd give up trading entirely, *twice*—and nearly did! In fact, if we could go back in time and talk to my younger self, I'm sure he'd fall on the floor when we tell him that not only did we finally make it, but here we are writing a book and helping others achieve their dreams.

Yes, my friend, where we start out does not need to be where we finish. We all begin life as tiny specks that rapidly grow. That growth does not need to end after adolescence. It does, however, change from being something that happens automatically to becoming a choice.

We can choose to continue growing—growing our knowledge, health and well-being, wealth, wisdom, and influence, or we can choose not to. It's an individual choice, and there is no right or wrong answer. However, the question I often find myself asking is, Why not? Why not continue growing and becoming all that we can? We're only here for a short while after all. When we near the end of our lives, would we be satisfied with ourselves if we're unable to positively answer the question, Did I do my best?

Now before we continue, let's come up with some definitions of success and failure. Think of it as your first exercise in this book. So go ahead, put down the book, and grab some paper and something to write with.

Are you ready? Okay, great.

First, take a moment and think about the ways in which you define success. Write them down. You may already have a few ways that you've been defining success, and that's okay. Write whatever comes to mind about success. Ready? Go!

After you've written down what success means to you, answer the following questions.

- Does it have to do with achievement?
- Does it have to do with the process?
- Does it have to do with the outcomes?
- Is it something large?
- Is it grandiose?
- Is it something small?

It really helps to get these ideas out on paper. Trust me on this one. I used to be the person who would read a statement like that and think, "Yeah, sure,"

answer the questions in my head for a brief moment, and move right along. My results in trading, health, physical performance, family, and life, in general, all improved substantially and shockingly fast when I began writing. So if you haven't done so already, give it a shot! What do you have to lose? If you don't have paper and something to write with, type on your phone, tablet, or computer. If you can't write them now, do so as soon as you're able. You'll get infinitely more from it this way, I promise you.

Now that you've successfully done that, think of the ways in which you define failure. Write them down.

- What comes to mind when you think of failure?
- Is it outcome-based?
- What emotions do you associate with failure?

If your answers have something to do with achievement or outcomes, you're not alone. Most people look at success like this: "If I do \_\_\_\_\_ and achieve \_\_\_\_\_ outcome, then I was successful at \_\_\_\_\_. However, if I do \_\_\_\_\_ and do not achieve \_\_\_\_\_ outcome, then I was not successful at \_\_\_\_\_." While this may be straightforward and sound completely logical, there are some major flaws with this view of success when it comes to trading.

Simon Sinek, speaker, and best-selling author of *Start With Why*, shares that the problem with defining success based on outcomes is that it's too shortsighted. For example, if we go to the gym and afterward look at ourselves in the mirror, we won't see any results. Do this again a few days in a row, and we'll conclude that it doesn't work because we don't see any results. However, we know that through consistent effort we will achieve success, even though we may not know the exact day that happens.

Trading is a game of probabilities. Many of the best traders in the world such as recent US Investing Champions Mark Minervini, Oliver Kell, and Leif Soreide, each with annual returns well into the triple digits, have win rates near 50%!

In trading, if we were to judge success based solely on the outcomes of individual trades, we may have taken a snapshot of these champions at some point in time and considered them failures! It's the wrong perspective! I mean, most of us would be quite satisfied with triple-digit annual returns. Wouldn't you?

I think we can come up with a better definition of success. However, before we do, let's dispel the individual outcome definition further. Here's a question to help. Where does defining success based on individual outcomes tend to lead?

More often than not, those who experience “system hopping,” the act of jumping from system to system or frequently changing trading styles or rules, define success and failure based on the results of individual trades and/or small, non-statistically significant groups of trades.

For example, suppose you learned a trading system and after 30 trades you were sitting at a net loss. Would it be time to switch systems or styles completely? Maybe, but maybe not! In most cases, to achieve a level of statistical significance where we can spot a true pattern versus random chance, we’d want to see at least 100 trades.

If the thought of trading a system 100 times to find out whether it works or not scares you, do not worry. When we get to the chapter on testing, we’ll discuss how you can find reliable results faster with little to no additional money out of pocket required.

Back to our definition of success: If we’re not defining our success based on outcomes alone, what should we define our success on? I suggest part of our definition be based on our level of progress, effort, and following the process.

Here’s a quick story to help illustrate the point.

### The Parable of the Sower and the Seed

Behold, a sower went out to sow. And as he sowed, some seed fell by the wayside; and the birds came and devoured them. Some fell on stony places, where they did not have much earth; they immediately sprang up because they had no depth of earth. But when the sun was up they were scorched, and because they had no root they withered away. And some fell among thorns, and the thorns sprang up and choked them. But others fell on good ground and yielded a crop, some a hundred-fold, some sixty, some thirty.

You may look at this parable and conclude that the moral of the story is that our job as the sower is to simply sow, keep on sowing no matter what, and eventually good things will happen. This may be part of the answer, but it certainly isn’t all of it. It took me nearly a decade of trying this out with the market to realize this.

While consistent effort is a major part of success and we should acknowledge it, it isn't everything. For example, the sower must have had at least some basic knowledge of how to sow, right? At least enough to not dump all of the seeds in a pile in the middle of the field and walk away. Certainly enough to not overanalyze each spot where he or she was going to sow, lest not enough seed would get sowed and there wouldn't be enough crops! And perhaps the sower knew enough to follow the process of sowing and allow the systems of nature and numbers to take over. Couldn't something similar be said about trading?

Here's a question worth asking: Could the sower's sowing be improved? Absolutely! The sower could get a better bag so that less seed fell by the wayside. He could have better knowledge of where the good soil is and how to avoid the stony or thorny places. Yes, the sower's skills can be improved, and our trading skills can be improved, too. In order to do so, we need to focus on the process first. Focus on the basics first and more advanced skills later. Have faith that following the process will yield the results we're after. If we work to improve our skills, we can grow, come back, grow some more, and become the best we're capable of being.

So what are the essential skills required for trading? What are the skills that will really help us roll faster down the path of trading success? I'm glad you asked. Allow me to introduce you to "The Trading Mindwheel."

## PHILOSOPHY OF THE TRADING MINDWHEEL

What is the trading "mindwheel"?

Think of it like this. Picture a bicycle. Think of one that you'd consider reliable and would trust to ride on a warm summer's day through the park for a good time. What condition is this bike in? Picture the wheels. What do they look like? How about the tires? Are they new? Fully inflated? Of course they are, right? The bicycle you just pictured is the type of bicycle we're going to create for your trading with the trading mindwheel.

Each of the skills needed to trade successfully is a spoke on the wheel. At the center of the wheel, the axle, are our beliefs. Our beliefs hold everything else together. In fact, let's think about it for a moment.

What are some of the most negative beliefs you've heard about trading? Perhaps you've heard that the markets are rigged and that unless you have scores of analysts working for you around the clock, you really don't stand a chance at being successful. Could you imagine someone rolling down the path of trading success with beliefs like that? Of course not, right?