

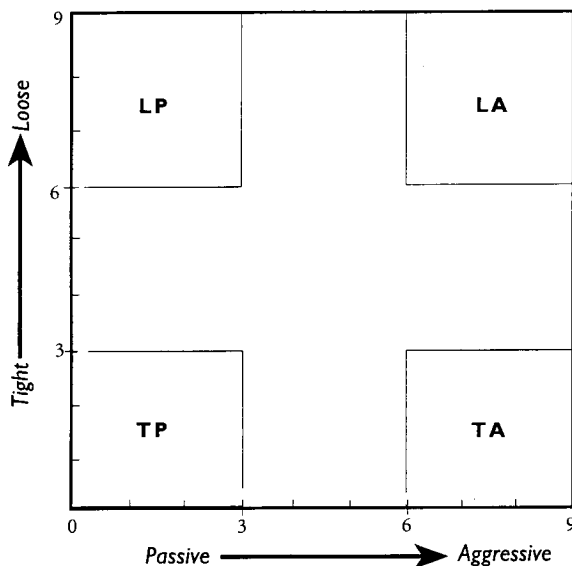


to good effect in identifying where we operate as traders, and how we need to modify our behavior to improve trading results.

THE TRADING STYLES GRID

The two stylistic dimensions that we'll use to isolate trading styles are: 1) the ability to exercise discipline in trade selection and 2) the degree of aggressiveness applied to exploiting an edge. The former can be described along a vertical scale (see Figure 60, below) that runs from "tight," meaning a trader executing with a high degree of discipline and who is very selective of the trades he initiates; to "loose," meaning a trader who has weak discipline and is careless in trade selection. The latter characteristic, degree of aggressiveness, can be

Fig. 60. Trading styles grid.



described along a horizontal scale (see Figure 60, below) that runs from "passive," meaning a trader who undertrades, who is reluctant to commit trading capital and to trade with leverage; to "aggressive," a trader who has a readiness and willingness to commit and to leverage trading capital.

Associated with each of the trading styles described by this grid are predominant motives and needs that underwrites each trading style. Identifying the presence of these dominant needs helps you to isolate the *You* component, enabling you to resolve those specific actions and behavioral modifications you need to make for advancements in your trading.

In this trading styles grid we'll focus on four dominant trading styles and then explore the characteristics and ramifications of each.

LOOSE-PASSIVE (LP) TRADERS

A trader dominated by a loose-passive (LP) style (see Fig. 60, above) takes too many trades, many of them marginal, and trades the few really good trades he takes too passively. An LP trader rarely if ever presses winning trades or adds to winning trades. His lack of discipline may also result in letting losses run.

LP traders have the worst possible trading style and they tend to sustain the largest losses. LP traders tend to maximize their participation due to looseness, while minimizing their profits through passivity. This is a deadly combination.