

## **Confessions of an OEX Option Trader**

I'll be honest with you, as the lead to [www.oexoptions.com](http://www.oexoptions.com).

I lost 250k trading options in a 6-month period. 250k! That's a lot of money. How I did it, and why, is the reason I'm writing to you, and why and how [www.oexoptions.com](http://www.oexoptions.com) came into existence.

**Here's the sad story, and please...it's worth your reading,  
as it could have been  
or could be you.**

For many years I traded stocks very successfully, and built a strong nest egg. My methodology was simple. I bought what made sense, and had no loyalty, selling on big moves up. I trained in the Wyckoff Method, was a student of CANSLIM (Investors Business Daily), and used the point and figure charting philosophy. They served me well, and I became a success story for investing. Mind you, not a yacht and 9 cars success story, but a middle-aged man with a sizeable nest egg.

I for years had been reading about option trading, and had tried numerous times to play options around my stock investing. Sometimes with success, and sometimes with losses. If I ran a tape to what I did with options within this time period, including subscribing to many services and buying many books, I'm sure I made a bit of money, but not enough.

At that time I began studying the new ETF's and index funds, and reading the logic of using index options as an investment tool. Every part of it made sense, and still does. Off I went to become a "trader" in index options.

I started with the S and P 500 (SPY) and the Nasdaq (QQQ) and began trading index options, simple puts, calls, and straddles. Self employed, I made sure I took time each day to study, and work the various subscription services I'd paid for, and I began trading daily. My successes mounted, and confidence built.

During the upswing markets I first traded in I began to **actually DO WELL**, and make money. My option time increased, and my profits at first mounted, then fell. Again, if I took a tape to it, at that time I was making money, but **not as much as I thought I was making**.

As I forayed into the OEX, the most stable of the index options, I began thinking I understood patterns, charts, and that this could be my "way to riches". My trading time became more fevered, with more emotional time buying the ups and downs, and increasing the size of my investments.

I began subscribing to a number of services and systems, and saw that I could become a full-time trader, making real money at this. Unfortunately, I was deceiving myself, and things were taking a serious turn for the worse.

You've read that 80-90% of all option traders lose money. You've probably even been to websites and explored services that selling options is the way to go...sell to the idiots like me that buy them, right? And you've read many claims of foolproof systems, mechanical trades....ways to learn to consistently make 50 to 150% returns on options.

You've subscribed to services. In fact, you may subscribe to [www.oexoptions.com](http://www.oexoptions.com)

What happened to me over one year of trading was making money, sometimes big money and losing money, and finally...putting more money into the market to make back money. It really doesn't matter the amount I lost, but it was \$250,000. It could have been \$50,000. It could have been a retirement account.

**What it was, and I'm being honest here, is multiplying mistake upon mistake, continuing patterns that I thought were working, and they weren't.**

It took me some time to really figure this out, obvious as it seems. I continued to try again, to "hone approaches", to read different OEX subscription alerts, or "trade tips", or call spreads, etc. Good at none, doing all.

All the time I continued to read about the great successes in options, and just knew that I could make money, too.

**I figured out the problem finally, \$250, 000 poorer. It was me.**

**Not the OEX.**

**Not the charts.**

**Not the subscription services**

(though most had bad advice and confusing "lies" on how they really performed.)

It was how I traded, and what I didn't do. Pure and simple. **It was me trying to act natural in an unnatural environment.**

So what changed? What did I do?

If you're patient, and you **really read this and really do what is going to be suggested**, you'll learn, and you'll know what it takes to be a successful trader, someone who **times** investments.

**But, if you're typical  
you'll just scan this article,  
note a few things,  
and promptly do nothing with it.**

**And, in the end, whenever that is, you'll lose money trading options, or stocks, or any investment vehicle.**

**FEAR**  
**Loss - Risk - Apprehension**

You know all about **FEAR AND GREED**, right?  
It's the trader's lament. But it's really only a small part of why a trader can do poorly.

**GREED**  
**Wanting / Deserving More**  
**Making up for losses**  
**Adrenalin Builds**

As I "bottomed out" in trading, realizing the losses, I suffered from classic pessimism. ("It's bad now, and it will only get worse") to even more classic arrogance ("I get it!" "Look what I just did...okay, it will get better now.")

Does any of this seem familiar to you so far?

I took a famous psychology test, based on the recommendation of a floor trader all too familiar with the emotions of trading.

**Here's the URL link for you to learn about and study the Myers Brigg test**

<http://www.humanmetrics.com/cgi-win/JTypes1.htm>

and

<http://www.humanmetrics.com/rot/riskguide.htm>

The Myers Briggs tests (really read through the tests and the information), it tells you about YOU, and your **personality type**. What I did was take the tests, and begin thinking about my risk orientation.

I began keeping a **journal**. This took a lot of time and was hard to do. My journal tracked the trades I made, how I did, and "what happened", and had a column for the "events and emotions" that took place as I traded.

**Here's what I learned about me:**

1. Euphoric, when successful.
2. Irrational with despair, when not.
3. Consistently repeated the same losing strategy over and over again.

4. On downdrafts “tripled or quadrupled the bet” to get the price right, with no structure.
5. When a bad month or week occurred, took money from other good investments to add to my option bank, only to lose more.
6. Read a lot of books, studied charts, but only enough to get “half information”.
7. Subscribed to lots of option services, but never really read all the instructions, or did any of the real research.
8. Unbelievable, but true, never really perfectly analyzed just how many options I lost money on. Pretended I did, but didn’t.
9. Created opportunities to “buy”, even when none existed.
10. Huge despair when I lost, usually then tried to “read something” else and do that, but never really did change my lack of method.

Myers Briggs taught me my emotional style, the journaling showed me what I did in patterns (bad at that point) and serious study began my journey to learning about me.

**I learned to trade successfully I needed to  
TRADE AGAINST HUMAN NATURE**

The emotional trader lives in peaks and valleys of “pufferfish” (over confidence), fear, and “sorry Charlie” (regret). This is where online instant trading, with instant news, fuels the drug of the emotional trader. Trading plans, if one even has them, evaporate. I found that both experienced and inexperienced traders have “emotional outbursts”, fueled by input, and react without reason.

As I began working with a journal that tracked my trades, and my emotional patterns, I found, in studies, that a number of **other methods helped me control my emotions:**

1. Music. I use headphones and listen to alpha/beta/theta sounds (left and right brain equalizing music. Email us at [info@oexoptions.com](mailto:info@oexoptions.com) for details). This music is a type of biofeedback, and extensive research has been done proving it’s equalizing and calming effects.
2. After I place an order to buy or sell, I take a break. From the computer, from myself. I set “calm” and stop the input.
3. My journal identified to me the “triggers” where I made mistakes...I took an actual inventory of my errors, and noted the times of the day, excitements that caused me to become fearful, greedy, pessimistic, and arrogant. I wrote these triggers down, and made sure, as I traded, that NONE of them were present.
4. Identified what is most embarrassing...where I self-sabotaged myself. This, I found, is a typical issue with many traders...I kept repeating what wasn’t working, over and over again. I actually had patterns and rituals for failure.
5. I began analyzing my consistency in preparation, order size, sell prices, and stop losses and found I had no real “rules of engagement” even though I told myself I did....**I HAD NO PLAN.**
6. Began to see trading as a business. Options are just inventory. Some inventory doesn’t sell, and you sell at a loss, and other inventory sells well. You learn what

sells. Just as a sport, it is the GAME of finding the right inventory. **I wasn't seeing it this way and expected all my inventory to sell profitably. Business doesn't work that way.**

7. **I quit focusing on what I was doing wrong, and started focusing on what I was doing right. I found out what I was doing when problems were not occurring.**
8. I eliminated too much study. I found in my journals that I was studying many approaches, subscribing to services, studying charts...and really was on many different paths.
9. I had always said "I'll do things differently", but before the journal and the analysis of my personality type, I never really knew what I did wrong. Once I identified my emotions, and what I repeated over and over again in error, I set **rules of engagement.**
10. The journal showed me I had patterns to my emotions. The way I broke these was by "talking out loud", almost acting as a commentator or newscaster recanting out loud what I was doing.
11. "Busy bees" tend to be calm pre and post market, and crazed during the market. Many traders are "busy bees" with good methodologies and structures, until they trade.
12. Patterns emerged from my journal that when I was "steady and reliable" in my thinking I made money, and when excited became irrational, falsely exuberant, or pessimistic.
13. Being a "busy bee" I never took time to process the market; that is, learn to read the shifts and momentum that occur...the actual flow of the market. By slowing down and stepping out of myself I began to actually "feel the flow".

In all of this self-examination, I began to set real rules of engagement. And stuck to them, and began making money.

#### **THE RULES OF ENGAGEMENT**

1. **How much I was willing to lose on a trade, and setting "mental" stop losses exactly at that point.**
2. **How much I wanted to profit, and setting "limit orders" to sell at that point, and NOT canceling out to HOPE for more, only to see the price deteriorate.**
3. **Setting my charts up with just the indicators that mattered to me (see No Noise Charting on our website). Once I began watching the charts, I talked out loud and NEVER let myself vary. Note, I only use charts on certain trades, and that [www.oexoptions.com](http://www.oexoptions.com) provides the guidelines.**
4. **Setting time limits. On all trades I set rules of how long I'll hold the option, and unless special conditions exist (our Alerts detail this) I NEVER VARY.**

*Invoke The Silent Witness. Going outside yourself and watching your behavior. It's like sitting in a room and watching another person without their knowing it, except the person is you. See what you are doing as if you are not doing it. WHEW. This simple technique took me time, took deep breathing and learning how to gain calm, but crazy as it sounds....THIS REALLY WORKS!!*

**Don't be like the typical trader reading this and nodding your head, but then do nothing with it. Otherwise, you'll lose your ass, as 90% of option traders do. It's so sad.**

**Option trading is no different than owning a business in which you buy and sell inventory.**

You go broke if you buy wrong, sell wrong, or have the wrong inventory. **It's easier with inventory, or so it seems, as you LEARN what sells.** With option trading, however, the emotion takes over and you soon forget that it's just this inventory.

So, I lost 250k. It really hurt. Actually it traumatized me. But, I got serious, and I researched, thought, and began following rules. **But before I began setting the rules of engagement I learned about ME, and what I did.**

**Emotion is good.** I did best when I got outside myself and watched my behavior, the "silent witness". I saw patterns to what I did wrong, over and over again. Taking a simple psychological test helped me understand my emotional style, so I could see what I had to work from. Learning how to break those emotional patterns, acting unnaturally, and controlling the input helped me succeed.

**And the end?** I successfully trade OEX index options and have a website that offers subscription services to teach others how to make money. [www.oexoptions.com](http://www.oexoptions.com)  
I hooked up with two other traders and we developed a site based on our experience and successes, and we trade the OEX daily.

***You Are What You Decide™***