


**Module 5:
Feeling Fear
Fearlessly as a
Trader**

The bottom of the page features a decorative graphic consisting of several overlapping, wavy lines in shades of brown and white, creating a sense of movement and depth.

Module 5: Feeling Fear Fearlessly as a Trader

Hi and welcome back to Module 5, Feeling Fear Fearlessly as a Trader.

RECAP OF MODULES 1-4

Before I get into talking about fear and how to use it to your benefit, I want to do a quick recap on where we've been so far and where we are now.

In Module 1, we talked about getting clear as we go in 2015. And to help you with that, you have now in your possession the 10 rules of epic level traders.

Then in Module 2, I talked about how important it is for you to master your perspectives and becoming a master at the three-question process.

And then in Module 3, we talked about commitment as a trader as being a key component to your long-term success as a trader.

In Module 4, I went deep into how changing little things can result in big changes and big wins in your trading and even your personal life.

Now in this module, Module 5, we're going to learn about fear and be able to feel fearlessly as a trader.

FEAR

So what is fear?

Fear is simply a natural reaction to what we might perceive as a potential threat.

And in this case, it's usually with the trader, it's a threat to their profits or their money making potential.

So I would ask you, what are you afraid of? Are you afraid of losses? Are you afraid of maybe getting in and out of positions or maybe fear of missing out? Or sometimes a lot of us just simply don't want to be at wrong, so we're afraid of being wrong.

My Own Fear as a Trader

I want to share with you a personal story about my own fear and how through that process of having the fear and walking through it, I was able to come out of the other end of being so fearful.

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But before I do that, I want to give you a little context for the setting. So picture it. Its back in early 2007 and Greenspan had just retired. Ben Bernanke was now our fed chairman in the U.S. Ben Bernanke was quoted as saying in March of 2007, "At this juncture, however, the impact and the broader economy in the financial markets of the problems in the subprime market seem likely to be contained." Really, Ben?

So you can see things were starting to crack and people were getting concerned.

And it was even showing up in the Forex market. We were starting to get big swings and a lot of volatility that we haven't seen up until then. In spite of all this volatility, my trading had been moving along very smoothly. I was booking my winning trades and losing trades without too many feelings or big swings and feeling powerful or taking myself down into utter devastation like I had in the past in some of my trading.

I was able to move in and out, like I said, a positions with a lot of ease. So right around this time when my trading was going so smoothly and I was making a lot of money and by a lot of money, I want to tell you that I was making about between \$40,000 and \$60,000 a month as a trader.

PFG

All right. So I started to look around for different brokers to place some of my money with. And I found out about an introducing broker named Ricardo, from Southern California. And I happened to live in Southern California at the time.

So I found out there was a broker out of Chicago called PFG, and they had a satellite office about 15 minutes from my house. So I called them up and asked to speak to Ricardo.

Ricardo agreed to have me come into the office and meet with him. So I drove over there, a short drive from my house, and I met with Ricardo. I also met with the principal in the office. Everybody was really friendly and really welcoming to me.

There was one thing I noticed when I asked Ricardo about his background, I was suspect about. He told me he was a contractor. He was in the construction space. But because the construction business was starting to dry up, he started looking at other things to do.

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He had no financial background. He had no brokerage background. But yet, he was able to become introducing broker. If you know anything about introducing brokers, they're the liaison between the customer and the actual firm itself.

So they bring business or clients to the brokerage firm. In exchange for bringing in clients to the brokerage firm, they are paid a percentage of your trading activity. So for instance, if you trade about 10 standard lots every month, they would get a certain percentage of what they call rebates on the pip spread that the broker takes.

During our meeting, I learned a lot about PFG. For instance, I found out that PFG was a family-owned business that was formed about 30 some years ago in Chicago, was still privately held and was just now getting into the Forex market.

They were very well grounded and known in the futures, the commodities, and stock business. But they were new to Forex.

They were really pushing this new kind of MT4 ECN trading platform which was a straight through processing. And for those of you that don't know what that means, it meant that the broker firm itself was not taking the opposite side of your trade.

Ricardo was telling me how PFG would put my trade out on the open market and the spreads would vary depending on the liquidity.

As forex traders this meant, that we would get tighter spreads and we would get filled easily on trades because the execution would be lightning fast.

At first, I was really interested because I had been trading with brokerage firms that had fixed spreads. And although they were higher spreads, I was pretty much able get in and out of trades even during high volatile market times. So now, you have the backdrop.

And now I decide, "You know what, I'll give them some money and I'll open an account. And I'll see how well this new thing called ECN broker does."

There was a lot of talk in forums, and in fact, I even started chiming in about really questioning how well these ECNs would perform. I was viewed as somewhat negative, but I really just wanted to vet them for my own interest to find out really, how well these ECN's would perform.

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So fast forward, I'm trading along for about a month and a half with PFG and my old broker, and things seemed to be relatively good with PFG. I'm getting tight spreads; trades are being executed without any problems.

And then one day, Ben Bernanke was scheduled to speak. It was the FOMC decision followed by the Press conference that comes out at 11:00 a.m. Pacific, 02:00 p.m. Eastern.

You know me, I like to be flat going into those news events.

So about, I don't know, 15, 20 minutes before that news event, there was a huge spike in the market in the Euro. I was in the Euro and I had a fully loaded position in the market and the trade was actually profitable.

LOSING \$100,000 IN SECONDS!

I like to close at least 15 minutes before that news event. Well, there was an insane spike that happened just as I was clicking away madly at my desk trying to get out of the trade. The trade moved against me 225 pips.

And instantly, I lost \$100,000.

As you can imagine, all sorts of things were rushing through my head. I got on the phone, speed dial, hit the brokers number, "Get me out of this damn position," I was yelling. "Get me out now, close me." The response was, "Sorry, there's no liquidity in the market. We can't get you out."

And I was in a panic. I kept clicking, "Close, close, close. Sorry. Requote, requote. We can't close your position."

And for those of you that don't know, when you call into a broker's office, when you call the trading desk, all calls are recorded. So they have an actual recording of the call between the person on the trading desk and the customer. Fast forward to the next day, after my utter devastation of losing \$100,000 in a matter of seconds and not being able to do a damn thing.

I of course call my attorney, and get her involved. I reach out to the local office of PFG and Ricardo basically tells me, there's nothing he can do and that I need to get on with my life and move on from losing \$100,000!

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That that's just the way the ECN brokerage business works. Well, that wasn't good enough.

I even called Chicago and talked to a guy who'd flown out here to meet me in Century City near Los Angeles to interview me for a job inside a PFG, which I obviously had turned down. But I knew him personally; he was head of the Forex Group, the Forex business. I called him, left him several voice mails, sent him emails, heard nothing from him until about four days later, when he finally calls me back.

He tells me they have the recordings of me calling in and being basically hysterical, and telling me there was nothing they could do. The liquidity had dried up and that was just the way it was.

They also told me about the journal effect in MT4. So they could see all the times I tried to click to get out of the trade and couldn't. The other interesting thing about this and this is something I want all of you to know. I had a stop in. And I had a 25 pips stop because this was right before I changed to tighter stops. These guys blew right through my stop without any regard for where it was. I asked them, "Why did you go through my stop?"

The market moved against me 225 pips, I had a 25 pips stop, it moved 200 pips against me. So the net effect was a 200 pip hit to my account. And they said, "Read the fine print, Kim. As Forex brokers, we do not have to honor your stops." It's that way in any market.

PARALYZED WITH FEAR

To say I was shell-shocked is an understatement. I was devastated. The first thing I did was cry.

And then when I gathered my composure and tried to make sense of it, I could barely work. I could not trade. I was paralyzed. I was paralyzed with fear.

In fact, I couldn't even trade for at least six trading days after that. Until a good friend told me, "Look Kim, the sweetest revenge is success. You need to get your head out of the clouds, get back in there and trade your money back and then you leave."

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And I thought, "That's a great plan, I would love to be able to trade my way out of this, recover my \$100,000 and pull my money from PFG."

They don't deserve my money. I will never give them my business again!

So I came up with a plan. I would trade the pound/yen and I would trade a certain position size. And I would also trade just to get my money back. That's all I was going to do at the time.

I wanted to get out of there but with my money. Now, I have to be honest with you. The first day I sat down to trade my plan, I physically shook, I couldn't pull the trigger.

I was consumed with fear.

So how did I get over it? What did I do to move on from my fear?

Well part of it was from supportive friends who acknowledged that I was a really good trader and helped me maintain that belief about myself. We talked about what had happened as just being a temporary setback.

But the one thing I couldn't get over in my mind was losing \$100,000. It just seemed like such a huge thing. But I was also cognizant of the fact that I was making \$40,000 to \$60,000 a month. So if I could make that much a month, losing \$100,000 shouldn't be that devastating to me.

But in truth, it was.

So the next day, I came to trade, and I thought, "Okay. This is it. Day number one, I'm going in small to see how I feel and I'm just going to observe myself."

So the first thing I did, and this the acronym that I like about fear and began using in my own trading. And it's not the more common acronym we have all heard which is: false evidence appearing real.

F is for Focus

So I wanted to focus instead of freaking out.

Because that's what I was doing. I was freaking out with fear. So I'm going to focus on knowing that I'm afraid and focus on the task at hand. Which was to recover my money, recover my 100,000.

E for Expose

The next thing was to expose my fear to myself instead of trying to escape from it.

Because what's the first thing we all do, we try to push fear away. We try to take ourselves out of that feeling of fear instead of actually feeling it. So I wanted to expose it.

A for Approach

A was to Approach my fear. So I had a plan, I was going to approach the market in a certain way and I was going to get back all the money I had just lost.

R is for Rehearse

Next, I would rehearse a lot.

So at night before I would go to bed, I would go over what I had produced that day, how my trading was, how I felt, and what I was going to do the next day when I sat down. I would visualize. I would rehearse in my mind's eye how I was going to feel, how I wanted to feel, what I was going to be wearing, how I was going to be trading and what the outcome might be.

So again, that's focus instead of freaking out. It's exposing myself to my fear instead of escaping it. Approaching it instead of avoiding it. And then rehearsing a lot before.

It's what I used, maybe it can help you.

Rather than focus on the fear, which is often projecting into the future, I found that if I could just focus on the task at hand or being present, it really helped me relax when I was trading.

And the best thing about this about this is that there's a really good ending to the story.

It took me 12 trading days; I marked them off on a calendar. Day 1, I made a little bit of profit. Day 2, each day, I made a little bit more. Moving in and out of the marketing. Focusing on my fear. Focusing on staying present. Focusing on not worrying about the future. Focusing on getting my money back. And this was not revenge trading. I don't want to even go there for one second. It wasn't that.

It really was about how am I, Kim Krompass, going to get through this fear, this huge fear I have, this sense of loss, this grief I'm feeling over losing \$100,000?

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How am I going pull myself up by my bootstraps and make a comeback?

So again, it had a very good ending. It took me exactly 12 trading days. I made my \$100,000 back and I'll never forget the day I called in to Ricardo and I said, "Close my account. Send me all my money A.S.A.P. Give me the forms. I want my money. I will never do business with you again."

And that was it. And here's an update on that story.

Maybe I was fortunate enough and there's been a lot of people who were harmed by PFG. Not that I could see that coming and none of us could see that coming.

But I do know that there's a substantial amount of you who are listening to this right now, who maybe have lost a lot of money with PFG and maybe have felt the pain of losing money from a broker.

I completely understand and I would hope that this session on fear and how I handled it and walked through it can help you moving forward in your own trading.