

Appendix:

Key Words Defined

1R-value The initial risk taken in a given position, as defined by one's initial stop loss.

awakened state Any time one's consciousness goes beyond 600 on the Hawkins scale. These would include, but are not limited to moments of bliss, rapture, peace, clarity, etc. It's a time when the ego seems to disappear. However, these are awakened states in that they are temporary.

awakening When you permanently disappear and things seem to happen automatically. There is no seer, doer, listener, or thinker because things just happen. In addition, one is not attached to thoughts or emotions but just sees them as events that tend to flow through the mind.

awareness Being aware of what happens inside. This includes being aware of thoughts, emotions, and the details or submodalities of those states. As you become aware, stop resisting, and just start experiencing, awakening begins.

belief A filter through which you perceive reality.

belief examination paradigm A set of questions to ask yourself about each belief, including (1) Who gave it to me? (2) What does it get me into? (3) What does it get me out of? (4) Is it useful? (5) Is it charged. The technique is used to evaluate the utility of your beliefs. And any nonuseful belief that is not charged can be easily replaced.

Bhakta Paradeena Sanskrit for "the way of the devotee." It implies that your experience of God will conform to anything you'd like to be. You get to make it up, rather than accept someone else's version. And since you get to make it up, you can have the perfect relationship for you.

Big Money Game Rules made up by larger corporations and their owners that tend to cause money to flow from you to them. For example, Big Money rules for winning the game might include having the most money (i.e., only one person can win), or having the most toys. Typically, you can afford any toy if the down payment is low enough. This idea draws you into financial slavery.

charged belief A belief that brings up a strong negative emotion when you think about it. The charge tends to hold the belief in place even though it may not be a useful belief.

consciousness Awareness of thoughts, beliefs, emotions, and personal programming.

expectancy How much you can expect to make on average over many trades. Expectancy is best stated in terms of how much you can make per dollar you risk. Expectancy is the mean R of an R -multiple distribution generated by a trading system.

expectunity A term that refers to expectancy multiplied by opportunity. For example, a trading system that has an expectancy of 0.6R and produces 100 trades per year will have an *expectunity* of 60R.

feeling release Experiencing a feeling until it just disappears.

financial freedom Occurs when your passive income (income that comes from your money working for you) is greater than your expenses. For example, if your monthly expenses total \$4,000 and your money working for you brings in \$4,300 per month, you are financially free.

game Any interaction between two or more people in which someone wins and someone loses. The person who makes up the rules, especially those about how to win, tends to win.

God realization Developing a bond and trust with your Inner Guidance such that you become one with that Inner Guidance.

Higher Self Who you really are. That part of you that can live simultaneously your day-to-day world and experiences and knows the Truth. It becomes your source of guidance when you are willing to trust and listen.

Holy Grail System A mythical trading system that perfectly follows the market and is always right, producing large gains and zero drawdowns. No such system exists, however, high SQN systems are possible for trading in one market type.

Impermanence Law (Anupassana) Buddhist law that says that everything changes. There is birth, life, and death. There are gains and losses. Resistance to impermanence tends to be the basis for suffering.

Inner Guidance Another word for Higher Self.

levels of consciousness David Hawkins's term for the level of Truth in something. Human consciousness, according to Hawkins, forms a log scale from zero to 1,000. Anything below 200 is negative, and anything above 200 is positive. Each level tends to be associated with a particular mental state (i.e., fear, greed, acceptance).

level I transformation (see Tharp Think) Adopting the ideas in Tharp Think so as to think differently about trading.

level II transformation Transformation of beliefs, feelings, and parts so that you are much more likely to adopt Tharp Think ideas.

level III transformation Raising your level of consciousness by sufficiently transforming yourself using Level II methods.

level IV transformation When you become awake (i.e., your consciousness is permanently over 600 on Hawkins scale).

marble game Trading simulation in which the R-multiple distribution of a trading system is represented by a bag of marbles with a different color representing each R value. Marbles are then randomly drawn from the bag and replaced to simulate trading.

market type There are at least six market types: up, sideways, and down, under either quiet or volatile conditions. It is easy to develop a Holy Grail trading system for any one condition but insane to expect that same system to work well in all other market types.

Matrix The idea that human beings are all programmed to respond automatically as in the movie, *The Matrix*. In real life, that programming is our beliefs and our experience tends to be illusory.

modeling The process of determining how some form of peak performance (such as top trading) is accomplished and then passing on that training to others.

Mukthi Deeksha This is a Oneness Blessing to start the process of awakening. The idea is that you need divine assistance to make changes to the brain for awakening to occur. People become Blessing Givers once they receive Mukthi Deeksha.

Neuro Linguistic Programming (NLP) A form of psychological training developed by systems analyst Richard Bandler and linguist John Grinder. It forms the foundation for the science of modeling excellence in human behavior. However, what is usually taught in NLP seminars are the techniques that are developed from the modeling process. For example, we have modeled top trading, system

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development and position sizing strategies at the Van Tharp Institute. What we teach in our seminars is the process of doing those things, not the modeling process per se.

objective What you want to accomplish in trading. Usually, this consists of some desired outcome or gain that must take place without some worst-case drawdown occurring. Part of a good objective is weighing the importance of both the drawdown and the goal being attained. There are probably as many possible outcomes as there are traders.

Oneness Blessing A hands-on blessing from a Oneness Blessing giver in which divine energy flows through the blessing giver into the recipient. The divine energy makes changes to the brain to further the awakening process. The effect of any particular blessing depends on the intent of the recipient, the blessing giver, and the Divine.

part One of your many internal selves. Parts were created by you with a positive intention in mind. They may represent (1) roles you play in life, (2) significant people in your life, or (3) feelings you don't want to feel.

parts negotiation A conflict resolution technique in which two conflicting parts are brought into alignment through their positive intentions. Usually, the part that is perceived as the most negative needs to be given useful things to do to meet its positive intention.

parts party Asking your parts to surface and talk to you about their intentions and the other parts that they may be in conflict with. A parts party exercise is given in Chapter 9.

passive income Income that occurs because your money is working for you.

position sizing™ strategy The most important of the six key elements of successful trading; it is the part of your system that really determines whether or not you'll meet your objectives. This element determines how large a position you will have throughout the course of a trade. In most cases, algorithms for determining position size that work are based on your current equity.

positive expectancy The mean R-value for a distribution of R-multiples is a positive number. When this occurs, a system (or game) will make money over the long term if played at a low enough risk level to survive the worse-case drawdowns.

R-multiple All profits and losses can be expressed as a multiple of the initial risk (R) taken. For example, a 10R multiple is a profit that is 10 times the initial risk. If your initial risk is \$10, a \$100 profit would be a 10R-multiple profit. When you do this, any system can be described by

the **R-multiple distribution** it generates. That distribution will have a mean (expectancy) and standard deviation that characterize it.

reward-to-risk ratio The average return on an account (on a yearly basis) divided by the maximum peak-to-trough drawdown. Any reward-to-risk ratio over 3 that is determined by this method is excellent. It also might refer to the size of the average winning trade divided by the size of the average losing trade. For individual trades the potential reward should be at least three times as big as the potential loss.

risk The difference in price between the entry point in a position and the worst-case loss you're willing to take in that position. For example, if you buy a stock at \$20 and decide to get out if it drops to \$18, your risk is \$2 per share. Note that this definition is much different from the typical academic definition of risk as the variability of the market in which you are investing. For individual trades the potential reward should be at least five times as big as the potential loss.

science of modeling Using NLP techniques to determine the behaviors, beliefs, mental states, and mental strategies common to those who excel in a particular field. When you teach these models to others, they should be able to duplicate the results.

shadow self Disowned parts of you that you project onto others. For example, you might hate bigots, which amounts to projecting your bigotry onto others. The outside world, in this way, can be a great clue to what is going on inside you.

standard deviation The positive square root of the expected value of the square of the difference between some random variable and its mean. A measure of variability that has been expressed in a normalized form.

stop (stop loss, stop order) An order you put with your broker that turns into a market order if the price hits the stop point. It's usually called a stop (or stop-loss order) because most traders use it to make sure they sell an open position before it gets away from them.

submodalities The details involved in a particular modality. For example, a visual image might be associated (you see it out of your own eyes) or dissociated (you are in it); bright or dull; black-and-white or in color; still or a movie; framed or panoramic; to the right, left, or centered; etc. Usually, some submodality becomes an unconscious key trigger that runs your behavior. Judgments are unconsciously based upon submodality differences.

swing trading Short-term trading designed to capture quick moves in the market.

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system A set of rules for trading. A complete system will typically have (1) some setup conditions, (2) an entry signal, (3) a worst-case disaster stop loss to preserve capital, (4) a re-entry signal; (5) a profit-taking exit, and (6) a position sizing algorithm. However, many commercially available systems do not have all of these criteria. A trading system might also be described by the R-multiple distribution it generates.

System Quality Number Score or SQN Score A method of determining how easy it will be to meet your objectives through position sizing strategies with a particular trading system. The higher the SQN score, the easier it will be to meet your objectives through position sizing methods with that system. The method is proprietary and takes into account both the mean R and the standard deviation of R.

TEA (Thoughts, Emotions, Actions) Being aware of your thoughts, emotions, and actions is a key to gaining control within the Matrix.

Tharp Think A set of useful beliefs about trading that have accumulated through modeling successful traders. Dr. Tharp calls these principles Tharp Think because the Van Tharp Institute tends to be the only place that emphasizes all of them.

tick A tick is a minimum fluctuation in price of a tradable item.

trading Opening a position in the market, either long or short, with the expectation of either closing it out at a substantial profit or cutting losses short if the trade does not work out.

trailing stop A stop-loss order that moves with the prevailing trend of the market. This is typically used as a way of exiting profitable trades.

transformation Refers to changes in beliefs, emotions, programs, and consciousness. Three levels of transformation are described in this book.

Transformational Meditation (TfM) A conflict-resolution technique in which unhappy parts are brought to the Higher Self. They either accept the viewpoint of the Higher Self or are discarded. The technique was developed by Dr. Libby Adams at the Academy of Self-Knowledge.

Turtles A group of traders who were taught proprietary trading methods by Richard Dennis and Bill Eckhardt in the 1980s. Many of them became great traders as a result.

The Work® Byron Katie's method of becoming enlightened to one belief at a time through four questions and some turnarounds. All of her forms can be downloaded for free at www.thework.com.