THE MARKET ALCHEMISTS

The Trader's Curriculum

"Dear Jouranl" · November 1st 2026 · by Dr Vee

The First Page: The Research

The science behind this week's LEARN section, for those who want to go deeper

I. YOUR BRAIN MOVES THE GOALPOSTS

What the research shows

Dopamine neurons don't simply respond to rewards. They respond to the difference between what we expected and what we got. A reward that beats expectations produces a burst of activity; a reward that arrives exactly as predicted produces almost none, and the signal shifts to whatever predicts the reward instead (Schultz, Dayan & Montague, 1997). This is called the reward prediction error.

Psychologists described the behavioural version decades ago. Brickman and Campbell (1971) argued that we adapt to improvements in our circumstances and return to a neutral baseline, the so-called hedonic treadmill. Later work by Brickman, Coates and Janoff-Bulman (1978) found that lottery winners were not significantly happier than controls a short time after their win, and took less pleasure in everyday activities.

Why it matters for traders

A weekly goal that once felt life-changing becomes the new normal. The brain stops rewarding it and starts reaching for a bigger number. Left unnamed, this drift shows up as oversizing, forcing trades, or dismissing a solid week as "not enough." Recognizing it as a predictable neural process, rather than a personal failing or a sign you should push harder, takes away much of its power.

II. MONEY ON A SCREEN DOESN'T FEEL LIKE MONEY

What the research shows

Richard Thaler's theory of mental accounting shows that people don't treat money as fully interchangeable. We sort it into separate mental accounts (salary, savings, windfalls) and apply different rules to each (Thaler, 1999).

One consequence is the house-money effect. In experiments, people who had just won money became more willing to take risks, as if gains were not really theirs yet. People who had lost were

drawn to bets that offered a chance to break even (Thaler & Johnson, 1990). Both patterns are familiar to any trader: the overconfident trade after a big win, and the revenge trade after a loss.

Why it matters for traders

Trading platforms express results in ticks, points, and R-multiples, which pushes money even further into an abstract account. That abstraction is useful during the session: you need to focus on process, not dollars. The risk is that it never gets translated back. A weekly, outside-market-hours review of what your results mean in real life keeps money concrete without letting it into your execution.

III. OUTCOME GOALS VS. PROCESS GOALS

What the research shows

Over 35 years of research, Locke and Latham (2002) found that specific, challenging goals lead to higher performance than vague "do your best" goals, especially when people receive feedback and are committed to the goal.

But goals have side effects. Ordóñez, Schweitzer, Galinsky and Bazerman (2009) reviewed evidence that narrow, aggressive goals can focus attention so tightly that people ignore other important factors, take on more risk, and in some cases behave unethically to hit the number.

Sport psychology adds a useful distinction between outcome goals (the result), performance goals (your personal standard), and process goals (the specific behaviours that produce the result). Kingston and Hardy (1997) found that golfers trained with process goals improved their skill and their ability to manage anxiety and attention under pressure.

Why it matters for traders

A dollar target like "$500 a week" is a valuable compass: it connects trading to your life. But if it becomes the daily scorecard, it invites forcing trades to "make the week." Keep the outcome goal for direction and measure each session on process: levels, plan, stop, routine.

IV. SELF-COMPASSION VS. SELF-CRITICISM

What the research shows

Kristin Neff (2003) defines self-compassion as three components: self-kindness instead of harsh judgment, common humanity (seeing struggle as part of the shared human experience rather than isolating), and mindfulness (holding painful feelings in awareness without over-identifying with them).

Many high performers fear self-compassion will make them complacent. The evidence points the other way. Across four experiments, Breines and Chen (2012) found that people who responded to a failure, a moral mistake, or a personal weakness with self-compassion were more

motivated to improve. In one study, they spent more time studying for a retest than participants in a self-esteem or control condition.

Paul Gilbert's compassion-focused work describes why: self-criticism activates the brain's threat-defence system, while self-compassion engages the soothing system that supports calm, flexible thinking (Gilbert, 2009).

Why it matters for traders

A trader in threat mode narrows attention and reacts: moving stops, cutting winners, revenge trading. Self-compassion is not lowering the bar. It's keeping the nervous system regulated enough to meet the bar you've set.

V. JOURNALING AND YOUR WHY

What the research shows

James Pennebaker's expressive-writing studies showed that writing about meaningful experiences, including the thoughts and feelings around them, was linked to fewer health-centre visits in the months that followed (Pennebaker & Beall, 1986). Writing seems to help people organize experience and make meaning of it.

Quoidbach, Gilbert and Wilson (2013) surveyed over 19,000 people and found a striking pattern they called the end-of-history illusion: at every age, people acknowledge that they've changed considerably in the past but expect to change relatively little in the future. An old journal entry is direct evidence against that illusion.

Finally, self-determination theory distinguishes between motivation that is autonomous (driven by values you truly endorse) and motivation that is controlled (driven by pressure, guilt, or external rewards). Autonomous motivation is associated with greater persistence and well-being (Deci & Ryan, 2000).

Why it matters for traders

Your first journal entry is a record of your original why and a measure of how far you've come. Rereading it does two things: it reconnects you to motivation you actually own (family, freedom, growth), and it shows you that the trader you are now was built, one session at a time. That same process is still building who you'll be next year.

Sources

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For Deeper Reading

- ***The Daily Trading Coach*** by Brett Steenbarger (Wiley, 2009): practical lessons on self-observation and journaling for traders.
- ***Self-Compassion*** by Kristin Neff (William Morrow, 2011): the accessible book-length version of her research.
- ***Misbehaving*** by Richard Thaler (W. W. Norton, 2015): mental accounting, the house-money effect, and the birth of behavioural economics.
- ***The Compassionate Mind*** by Paul Gilbert (Constable, 2009): the threat, drive, and soothing systems explained.