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The Trader’s Curriculum

by Dr Vee

Becoming the trader you’re meant to be

Insights · Practice · Growth

Weekly evidence-based insights for better trading performance

Small Accounts & the Measurement Problem

Happy Sunday Traders!

Here is to one lesson, one exercise and one question to explore this week.

1. LEARN

Most traders start small. That one fact quietly shapes years of behavior. O small account, a "correct" exit might only be $40 or $80. That number fe almost insulting next to the payoff we're picturing, so we hold. We call it "lett winners run". Often it's something else. Research gives us the language for Four mechanisms are working against us here. Together, they explain why sm accounts are often *more* psychologically volatile than big ones; not less.

1. Diminishing sensitivity (Kahneman & Tversky, 1979). Gains aren't felt i straight line. A $50 win doesn't just look small, it feels small. So your brain ke the trade open, hunting for a number that finally feels significant.

2. The disposition effect (Shefrin & Statman, 1985). The most replica finding in behavioral finance: traders sell winners early, hold losers long. Sm account traders flip half of this: they don't cut winners early, they refuse to them *on plan*. A small planned gain feels like quitting, not executing.

3. The house money effect (Thaler & Johnson, 1990). A profit that isn't banl yet doesn't feel fully real. That's why traders will watch a winner round-trip breakeven rather than take the plan.

4. Mental accounting in dollars, not risk (Thaler, 1985). Dollars scale w account size. Risk doesn't. Judge your wins by dollar size on a small account, a they'll never feel like enough, even when they're excellent.

The thread connecting all four: this isn't a discipline problem. It's a measurem problem. Measure in dollars, and a small account will always feel like it's fail you, even while it's working exactly as designed.

2. TRAIN

This week's drill is about changing the unit you measure success in — fr dollars to risk.

Log every trade in R, not dollars: R = your initial risk (entry to stop). A tra that made twice what you risked is +2R, whether that's $40 or $4,000. This is single fastest way to decouple your self-worth from your account size (Tha 1998).

Define your bracket order before entering the trade: treat any deviation a rule break to review, not a feel-based judgment call in the moment.

Use a mechanical scale-out ladder. For example: take a defined portion off your first target, move your stop to breakeven, and let the remainder run o trailing rule. This removes the all-or-nothing decision that your emotions are b at hijacking.

Keep a "planned vs. actual exit" column in your journal. At the end of week, total the R difference between what your plan said and what you actua did. That number, not your P&L, is the one that tells you where your psycholo is leaking money.

3. THIS WEEK'S QUESTION

Pull your last 10 trades. For each one where you moved your exit past yo original plan: did the outcome change your account trajectory, or did it j change how the number felt?

> Most traders obsess over entries. The real edge is in how much you risk, and whether you honor that number regardless of how it feels.

- Dr Van K. Tharp, 1998

Continue this week’s lesson

Today's lesson is only the beginning. Continue exploring this week's idea a discover how we help traders build these skills through deliberate pract inside Market Alchemists.

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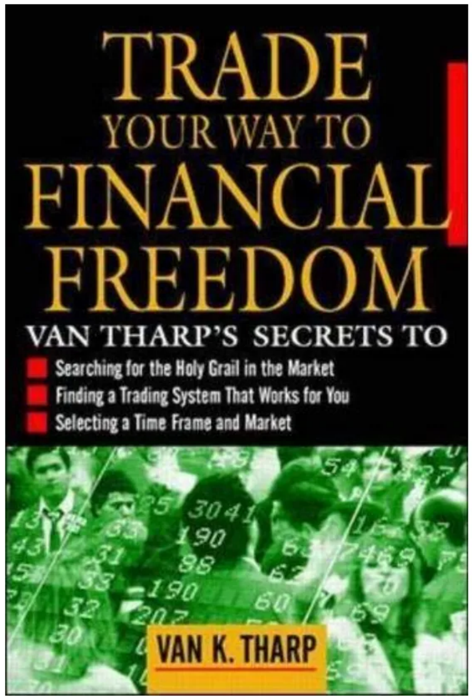
THE WEEKLY ROADMAP

With this week's lesson in mind, it's time to prepare for execution. Explore this week's Weekly Roadmap to identify the higher time frame levels, trend lines, and decision points that will guide our focus throughout the week.

Discover More

This week's book recommendation



To one lesson at a time,

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