COGNITIVE BIAS IDENTIFICATION CARD

Seven biases that are costing you money | Book 3, Chapter 2

Print this card. Keep it next to your monitor. When you feel the urge to deviate from your plan, scan this list. Name the bias. Neutralize the impulse.

Note: these seven biases are grouped by where they strike. First, the three that distort how you manage open positions, then the four that distort your entry decisions. The numbering here, therefore, differs from the Chapter 2 order in the book. Same seven biases, organized for the screen.

Biases that distort how you manage open positions

1. LOSS AVERSION

What it looks like	Corrective action
Losses feel twice as painful as equivalent gains. You hold losers too long hoping they recover. You cut winners too short to lock in the gain before it disappears.	Set your stop-loss before you enter the trade. Then do not touch it. Treat your stop as a structural decision made by your planning brain, not a live decision made by your emotional brain.

2. SUNK COST FALLACY

What it looks like	Corrective action
"I have already lost £200 on this trade — I can't close now." The money is gone regardless. Holding does not get it back. It risks losing more.	The only question: does the trade still meet your criteria RIGHT NOW? If not, close it.

3. ANCHORING BIAS

What it looks like	Corrective action
Your entry price becomes a mental anchor that distorts every exit decision. You refuse to close below entry. You set targets based on what you "need" rather than what the chart says.	Cover the P&L column. Trade the chart, not your position. Ask: "Would I enter this trade at the current price?" If no, the entry price is irrelevant.

Biases that distort your entry decisions

4. CONFIRMATION BIAS

What it looks like	Corrective action
Once in a position, you unconsciously seek information that confirms your trade and dismiss contradictory signals. Bearish evidence becomes invisible when you are long.	Before every entry, write one reason the trade could fail in your journal. If you cannot write it honestly, you are already biased — do not enter.

5. FOMO (FEAR OF MISSING OUT)

What it looks like	Corrective action
Price moves without you and you chase the entry. You enter late, without analysis, at a worse price, with a wider stop. The trade was valid 10 minutes ago. It is not valid now.	If you missed the entry, it is gone. Wait for the next one. There is always a next one.

6. RECENCY BIAS

What it looks like	Corrective action
Three winners and you feel invincible — you size up. Three losers and you feel broken — you freeze or revenge trade. Neither streak is statistically meaningful.	Open your journal. Look at your last 50 A-Grade Execution trades. Let the data speak. Five trades are 5% of the sample and tell you nothing about the sixth. Note: also affects position management decisions during losing streaks — applies to both sections of this card.

7. GAMBLER'S FALLACY

What it looks like	Corrective action
After four losses, you believe the next trade is "due" to win. It is not. Each trade is statistically independent. The market does not owe you a winner.	Check your session risk tolerance (Variable 3 from the Three-Variable Risk Model, Toolkit Tool 9). If reached, the session is over. The streak resolves over 100 trades, not 5.

The Bias Awareness Loop: Name it → Notice it → Neutralize it

For execution scoring, see the Psychology Trade Tags document.