

Steve Ward



Tradermind

Get a mindful edge
in the Markets

WILEY

TraderMind

Get a Mindful Edge in the Markets

***How to Train Your Mind, Manage Your Emotions,
Enhance Your Decisions and Maximise Your Profits***

Steve Ward

WILEY

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*To Sabine, Oliver and Casper
Mum, Dad and Debs
“Team Ward”*

Contents

[About the Author](#)

[High Performance Global Ltd](#)

[Foreword](#)

[Acknowledgements](#)

[Introduction: The Evolution of *TraderMind*](#)

[The Challenges of Trading and Investing](#)

[Beyond Skills and Strategy](#)

[The Rise of Trading Psychology](#)

[The New Contenders: Neuroscience and Mindfulness](#)

[*TraderMind*](#)

[What's in Store?](#)

[Getting the Most From *TraderMind*](#)

[What Brings You To This Book?](#)

[Final Words](#)

[1 What is Mindfulness?](#)

[What is Mindfulness?](#)

[Equanimity: Approaching and Acceptance vs. Avoidance and Aversion](#)

[Impermanence](#)

[Mindfulness in the Markets](#)

[From Buddha to Boardroom to Battlefield – the Rise of Mindfulness](#)

[The Benefits of Mindfulness](#)

[*TraderMind*: Mindfulness-Based Trading and Investing](#)

[Developing Mindfulness](#)

[2 Developing Your Mindfulness Muscle](#)

[How Mindful are You?](#)

[Developing Your Mindfulness Muscle](#)

[Mindfulness Practice – Mind Fitness Training](#)

[How Long Will It Take?](#)

[Turbocharge Your Mind Fitness Development](#)

[Practicalities FAQ](#)

[You Have To Do Your Own Press-Ups](#)

[3 The Attention and Awareness Advantage](#)

[Awareness, Attention and Automatic Pilot](#)

[Awareness of Self: Accessing Choice and Flexibility](#)

[Awareness of the Environment: Situational Awareness](#)

[Awareness of Others: Sentiment and the Empathy Edge](#)

[Attention, Attention, Attention](#)

[Trading in the Zone](#)

[Attention Deficit Trait](#)

[Training Your Attention and Awareness: Building Metacognitive Muscle](#)

[Applied Metacognition](#)

[4 Thinking About Thinking](#)

[Thinking About Markets and Trading](#)

[Cognitive Awareness](#)

[How Do You Stop Thinking About a White Bear?](#)

[Letting Go of the Struggle](#)

[Working With Thoughts – Acceptance](#)

[Cognitive Utility – The Lens of “Usefulness”](#)

[Cognitive Fusion – Attachment to Thoughts](#)

[Cognitive Defusion – Changing Your Relationship With Your Thoughts](#)

[Sit Down, Stand Up – Focus On Effective Action](#)

[Reappraisal – Mental Flexibility](#)

[Memories – Thoughts from the Past](#)

[When to Follow Your Mind](#)

[Three Steps to Managing Thinking](#)

[5 Embracing Emotions](#)

[Emotions and Trading: A New Paradigm](#)

[Emotional Awareness](#)

[Embracing Emotions – From Avoidance to Acceptance](#)

[Emotional Regulation – Affect Labelling](#)

[Emotional Regulation – Reappraisal](#)

[Emotional Regulation – The Mindful Moment](#)

[Embracing Emotions in Practice – Running Profits](#)

[STOP Struggling and Embrace Your Emotions](#)

[6 Managing Urges and Impulses](#)

[Urges and Temptations](#)

[What is an Urge or Impulse?](#)

[Mindfulness Training and Urge Reduction](#)

[The Changing Nature and Impermanence of Urges](#)

[Insights from Addiction Therapy](#)

[Urge Surfing](#)

[Impulse vs. Intuition](#)

[Boredom Trading and the Challenge of Quiet Markets](#)

[Crucial Moments and Effective Behaviours](#)

[7 Trading With the Body in Mind](#)

[Trading Signals From the Body: Physiological Analysis](#)

[Affective Decision Making](#)

[Feeling the Markets](#)

[What Separates Analysts From Traders?](#)

[Can You Really Trust Your Gut?](#)

[Developing Your Intuition and Gut Feel, Reconnecting the Mind and Body](#)

[The Embodied Brain](#)

[Managing Energy, Becoming a Trading Athlete](#)

[Reconnecting](#)

[8 Habits, Behaviour, Action](#)

[Action Creates Results](#)

[Habits – “Frighteningly Subtle, Incredibly Powerful”](#)

[Building Patterns of Effective Action](#)

[Committed Action](#)

[Habit Releasing and Learning New Skills](#)

[Flexible Response](#)

[9 Turning Towards Difficulty](#)

[The Difficulties of Trading](#)

[Stress, Pressure and Trading Performance](#)

[Resilience, Trader Toughness and Mind Fitness](#)

[Approaching vs. Avoiding](#)

[Exposure and Adaptive Toughness – Shifting the Curve](#)

[Burnout and the Exhaustion Funnel](#)

[Turning Towards Difficulty](#)

[Effective Action for Difficult Times](#)

[Seven Ways to Turn Towards Difficulty](#)

[10 The Mindful Trader and Investor](#)

[The Mindful Trader and Investor](#)

[Developing Mindfulness – Mind Fitness Practice](#)

[10 Ways to Incorporate Mind Fitness into Your Trading Day](#)

[Looking Back](#)

[Looking Forward](#)

[TraderMind: Mindfulness-Based Trading and Investing Training Programme](#)

[Overview](#)

[Mindful Attention and Awareness Scale](#)

[Week 1 – Attention, Awareness and Automatic Pilot](#)

[Week 2 – Thinking About Thinking](#)

[Week 3 – Embracing Emotions](#)

[Week 4 – Managing Urges and Impulses](#)

[Week 5 – Trading With the Body in Mind](#)

[Week 6 – Habits, Behaviour and Action](#)

[Week 7 – Turning Towards Difficulty](#)

[Practice Record](#)

[Week 8 – The Mindful Trader](#)

[Review](#)

[What Next?](#)

[References](#)

[Index](#)

[End User License Agreement](#)

List of Illustrations

[Introduction](#)

[Trader meets market.](#)

[Chapter 1](#)

[Figure 1.1 The three dimensions of applying mindfulness in the markets.](#)

[Figure 1.2 The five components of *TraderMind*.](#)

[Chapter 2](#)

[Figure 2.1 Mindfulness is the outcome of mindfulness practice.](#)

[Figure 2.2 The four stages of the *Mindfulness of Breathing* practice.](#)

[Figure 2.3 The deliberate practice learning loop for *TraderMind* mindfulness training.](#)

[Figure 2.4 Kolb's *Model of Learning* \(adapted\) from mindfulness-based cognitive therapy.](#)

[Figure 2.5 The three axioms of intention, attention and attitude \(IAA\).](#)

[Chapter 3](#)

[Figure 3.1 Attention builds awareness, which leads to choice and flexibility and enhanced performance.](#)

[Figure 3.2 The three dimensions of awareness.](#)

[Figure 3.3 Mindless reacting.](#)

[Figure 3.4 Mindful responding.](#)

[Figure 3.5 Where attention goes, energy flows.](#)

Chapter 4

Figure 4.1 The effect of cognition on your trading experience.

Chapter 5

Figure 5.1 The information-processing pathway in the brain.

Figure 5.2 What makes an emotion?

Figure 5.3 Observing emotions, accepting vs. avoiding.

Figure 5.4 Emotions are an outcome of our perception of events.

Chapter 7

Figure 7.1 TraderMind advocates an integrated system of brain, body and mind, an interconnectedness that is required to optimise your trading of the markets.

Figure 7.2 Feelings scores resulting from US study of portfolio managers and analysts.

Figure 7.3 Percentage chance of parole in relation to time of day.

Figure 7.4 The four key components of managing energy.

Figure 7.5 Ernest Rossi's ultradian rhythms.

Chapter 8

Figure 8.1 Enhancing your performance may require you to move from short-term avoidance and comfort to short-term acceptance and discomfort.

Figure 8.2 The three building blocks of “self”.

Figure 8.3 The performance funnel.

Figure 8.4 The three stages of performance.

Figure 8.5 Leveraging effective action through commitment.

Figure 8.6 Values-based trading – building on the value of professionalism.

Figure 8.7 Driving committed action through values and goals.

Chapter 9

Figure 9.1 It is not the events that happen to us that matter, rather how we respond to those events.

Figure 9.2 The role of perception in the stress response.

Figure 9.3 The stress–performance inverted-U curve.

Figure 9.4 Adaptive toughness – shifting the curve.

Figure 9.5 The exhaustion funnel.

Figure 9.6 The 3-minute breathing space.

Figure 9.7 The Kubler-Ross change cycle.

Figure 9.8 The reversal of the motivation process.

About the Author

Steve Ward has over 20 years of teaching, training and coaching experience, having started out working in sports and performance psychology with elite athletes and teams in over 30 different sports and with high performers in the corporate sector.

Since 2005 he has focused on working with traders and fund managers from investment banks, hedge funds, energy companies, asset management funds, leading proprietary trading groups and with independent traders across the globe. He utilises a unique blend of performance psychology, neuroscience, behavioural finance, mindfulness-based approaches and neuropsychology coaching in his work, with a focus on providing practical techniques and strategies.

Steve is the author of *High Performance Trading: 35 Practical Strategies To Enhance Your Trading Psychology and Performance*, was the consultant trading performance coach to BBC TV's *Million Dollar Traders* series, co-managed a team of 45 professional proprietary traders in London and has written for many leading trading publications. He has also traded stock indices and FX on his own account and is a member of the Association for Coaching, Association of Contextual Behavioural Science, Society for Neuroeconomics, Association of NeuroPsychoEconomics and Society for Neuroscience.

High Performance Global Ltd

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Foreword

When Steve Ward wrote his first book 6 years ago on High Performance Trading, (packed with practical strategies), I thought he had covered all bases! I have known Steve for a number of years and wondered what more he could possibly add. Steve is a gifted communicator and powerfully intuitive coach. This has attracted some of the world's most outstanding traders and fund managers as clients. You see, it does not matter how much experience or success one has had in the business of trading the markets, everyone can use objective feedback or coaching to keep concentration levels up and performance on track. Challenges have increased with an expanding amount of information, stimulus and distractions. Steve once again has delivered a compelling book that combines a thoughtful read with “bang-for-the buck” practical strategies for time pressed traders. In fact, the more experience you have the more you will appreciate this gem of a book.

Four counterintuitive points jumped out at me that illustrate a different way of thinking about things that Steve brings to light.

A common cliché newer traders hear is, “trade your plan” along with the need for “discipline”. Steve reframes our thinking with the concept of “impermanence”. Winning and losing runs are impermanent. Changes in the market are impermanent. Thus, “rigidly sticking to your trading plan once the conditions have changed...is like a sports team sticking to a game plan that is not working”. Holding on to the idea of impermanence can help you be more flexible. Steve's focus is to develop your mindset to make decisions that reflect the current market environment . . . which is always changing. Awareness . . . flexibility . . . discipline . . . three overlapping yet independent issues.

Another interesting point that Steve has researched is why smart people can underperform. The crux of this comes from the environment we are in – one charged with high amounts of information and sensory overload. Too much stimulation results in distractibility and impatience. Steve offers some short and practical tactics through mindfulness exercises to re-center and focus. The positive emotions experienced as a result of these simple tricks are a great tool for combating this “Attention Deficit Trait”.

Steve offers a whole section on the trading difficulties and challenges that even the industry's star traders encounter: extended losing runs, changes in market conditions, stressful life events Not only will his tools help you develop the resilience required to deal with these events, but he also provides a satisfying answer as to why emotions can still be attached to an event and thus how to free oneself in order to move on. “How can I get rid of the memory of the big loss I took earlier this year?” . . .! The cost of this book is a small price to pay to learn the answer to that common question (!)

Lastly, a most wonderful but yet another counterintuitive reframing: Emotions! How many times have traders been told that emotions are bad, emotions get in the way of trading, successful traders are less emotional. . . . yet Steve explains how emotions are essential to the decision making process and how they keep our brains focused on critical information. Emotional factors in decision making can serve a purpose. In classic “Steve Ward” fashion, he grounds his guidance in solid neuroscience research and scientific explanations.

Only a masterful communicator and coach can additionally present an 8-week mindfulness training program in just five pages at the end. Home Run!

Linda Raschke
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Chicago, Illinois

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The visible results of any individual performer are often an outcome that is enabled through a more invisible support team. In my case, as author of this book, the people in that team are numerous and I would like to take this opportunity to thank them for the contributions they have made and for the support they have provided in enabling me to produce this book.

Firstly, a huge thank you to the core members of “Team Ward”, my beautiful wife Sabine and my two amazing sons Oliver and Casper for their love and support through what must have seemed like the writing of the longest book ever.

Secondly, to Linda Raschke (www.lindaraschke.net) for the time she has given both in providing her expertise and experience in the form of feedback during the writing progress, and then for going above and beyond the call of duty by agreeing to write the foreword to this book.

Thirdly, to all the traders and people involved in the institutions I work with, who provide me with the opportunity to utilise my skills and expertise but who also teach me a great many things, and whose interactions enable me to get the rich insights that I am able to share with the readers of this book.

Fourthly, to the people who have been the front runners in moving areas such as neuroscience and mindfulness-based approaches to the fore, the developers, researchers, authors and trainers who have influenced my work over the years and whose outstanding work this book is built upon.

Finally, to the team at Wiley whose support, expertise and most importantly extreme patience have encouraged and enabled me to move from an idea through to this finished book... *TraderMind*.

Introduction: The Evolution of *TraderMind*

The Challenges of Trading and Investing

Trading and investing performance occurs at the point where the trader and the market meet, where decisions are made and P&L (profit and loss) is ultimately won or lost. Traders and fund managers must take risk under conditions of uncertainty and be able to manage the outcomes of those decisions and their consequences, as well as coping with the wider pressures and stresses that trading can bring. This is a psychologically challenging environment. Humans favour certainty over uncertainty, and when you take financial risk in such an ambiguous environment, with imperfect information and with high consequences, you are influenced (largely outside your awareness) by a whole number of brain, mind and even body processes that can influence your decision making and behaviour in ways that lead to market returns which are sub-optimal. Emotions, your mood, your thoughts, beliefs and perceptions, your attention, mental shortcuts, your energy levels, the environment you are in, your past and recent performance, your hormones and your patterns and habits of behaviour are all factors that can play a part in your trading and investing decisions.

Furthermore, changes in market conditions, increased competition in the markets, regulatory changes, institutional restructuring, growing automation and the rise of high-frequency trading, information overload and increasing pressures to perform have exacerbated the demands placed on traders and fund managers over recent years.



Trader meets market.

Beyond Skills and Strategy

Karl is a commodities trader who trades predominantly intraday with some overnights being held where required. Over the last few months he has been trying to run his trades a little further. He has a good belief in the levels that he selects in the markets, and his performance over the last few months has been relatively stable despite some choppy market conditions. When we meet he is keen to look for ways to hold his trades for longer. His profit targets are typically around ten ticks (price movements) and yet he is more often than not getting out at around three ticks as a reaction to noise in the market or his position moving offside (against him), only to see on many occasions that his original target level eventually gets hit. He knows what he wants to achieve from his trades, and believes in his

ability to pick good levels at which to enter and exit the market, yet more often than not he doesn't follow through with his plans.

Take a moment to reflect on your own trading and investing experience. Have you ever:

- Taken profits too early, before your profit level was hit?
- Run losses too far or moved your stop further away to avoid a loss?
- Taken trades that were not part of your strategy or approach?
- Not taken trades that were part of your strategy or approach?
- Taken too much risk; traded too big?
- Taken too little risk; traded too small?
- Chased your losses, or revenge traded?
- Overtraded in a state of euphoria?
- Traded through boredom?

All of these – as I can testify from my experience in working with thousands of traders and fund managers across the globe and across asset classes – are quite common trading behaviours.

As early as 1759 in *The Theory of Moral Sentiments*,¹ Adam Smith described the battle between the “*impartial spectator*” and the “*passions*”, between knowing what is right and best and the challenge of temptation and instant gratification. Not much has changed in all those years – Warren Buffett talks in a similar way about traders and investors needing to avoid the “*temptations and urges*” that get other traders into trouble. We are still fitted with the same mental software, the same brain information-processing systems, and as a result we are still experiencing the same dilemma. The key challenge in trading is not so much “Knowing What To Do” (KWTD) as “Doing What You Know” (DWYK). This creates the psychological gap that exists between having a strategy with a positive expectancy and actually trading it in such a way that it returns something close to those expected profits. One very experienced trader I worked with in a training session at a leading investment bank remarked how just being able to get better at running his profits and cutting his losses would have a considerable impact on his P&L, and how this was true for other traders in his team and across the trading floor.

To perform well in the markets you need more than just skills, knowledge and a strategy with an edge or some competitive advantage. You need to have a mindset that is resilient, that allows you to take risk, navigate uncertainty, manage the pressures and stresses of the trading environment and its result orientation. You need to have the levels of awareness required to manage your thoughts and emotions and to be able to regulate your own trading behaviour, to be able to sustain focus, resist the temptations to react on impulses and reduce the impact of behavioural tendencies and biological responses. A strong psychological approach is integral to producing consistent and successful trading performance, to maximise the returns on your trading strategy.

The Rise of Trading Psychology

When I began working in sports psychology in the early 2000s it was in its relevant infancy in the UK although in eastern Europe, the USA and Australia it was far more developed. The mindset of many sports people was that sports psychology was for people who had performance dysfunction, or clinical issues – it was seen as pathological. Very few sports people talked about visiting the sports

psychologist and many teams did not at that time fully utilise or embrace sports psychology. Over the years that mindset has shifted significantly to the point where sports psychologists are available to most athletes and teams; they are used openly and recognised as part of the coaching and performance team. This behavioural shift has largely been down to the evolution of the drive by teams and athletes to seek every possible advantage when they are competing, the rise in the popularity of psychology in general and the move of the sports psychologist's role from being about fixing problems (pathological) to enhancing performance. This pattern is similar in trading, where even since my first involvement in early 2005 I have seen the attitudes of traders towards psychology move from strong scepticism to being much more open and embracing. The global market events of 2008 and the challenges of trading the markets in the years since that time may have helped somewhat in this evolution, alongside the rise in popularity of behavioural finance and the increasing number of academic studies and books that focus on financial decision making and its psychological aspects.

With this rise in interest in trading psychology, more and more traders have realised, or perhaps admitted, that being able to develop their psychological approach would have benefits on their trading decisions, performance and profits. More traders are open to reading about trading psychology, attending workshops or having one-to-one coaching than ever, even though some may still be hesitant or sceptical. This growing trend was identified in an online article published by Reuters in September 2012 entitled “FX traders seek coaching in battle for dominance”² and in an article entitled “Finding your inner trader”³ published in *Bloomberg Markets Magazine* (April 2014):

In the take-no-prisoners world of foreign exchange dealing, asking traders to look inside themselves and confront their inner demons may seem a forlorn endeavour. Yet some banks are turning to performance coaches to give their traders an edge in the battle to make money in the \$4.5 trillion dollar a day FX market. This soft skills approach contrasts with the popular stereotype of FX traders hurling prices – and abuse – at each other across the dealing room floor. But while some dismiss techniques to develop a ‘clear-headed space’ in which to trade as touchy-feely gimmickry, many are keen to embrace any tactic to outwit other market participants, whether human or machine.

“FX traders seek coaching in battle for dominance”, Reuters

If you are reading this then it is pretty likely that you are, at a minimum, slightly curious about how you could improve your trading performance via the use of psychological approaches, or you may be further along the continuum – a convert to trading psychology but looking for a different approach or methodology to help you overcome the challenges you face. Whichever you are, *TraderMind* provides an opportunity for you to develop your mental and emotional skills and to enhance your trading psychology skills, and enhance your decision-making process and market returns.

The New Contenders: Neuroscience and Mindfulness

Over the years, trading psychology has evolved. In its early stages, understanding and approaches were derived primarily from existing cognitive, behavioural and performance-based psychological approaches. Then we saw the introduction and rapid uptake of interest in behavioural finance, behavioural economics and decision science. More recently, growing interest in the human brain has seen the rise of neuroscience and its trading and investing derivatives, neurofinance and neuroeconomics. Over the years, in my own practice as a coach I have adapted and refined my approaches based on new thinking, research and my own experiences in “real-time” work with traders. Since 2010 I have become more and more interested in the trading brain and how neuroscience can b

applied to enhance trading and investing performance. Whilst reading and researching in articles, books and journals I kept coming across one word, *mindfulness*. There is a large volume of neuroscience research that is based on looking at mindfulness and its impact on the brain, and mindfulness was often offered as a practical application or intervention at the end of articles or papers looking at the regulation of emotion or attention, for example. Over time, the frequency of my exposure to mindfulness increased and my interest developed, and then, following a coincidental presentation I attended on mindfulness for coaches at a conference, I started my own practice and training, leading over the years to my training as a mindfulness teacher.

Mindfulness is a way of paying attention, in the present moment, to yourself, others and the world around you. It is a skill that can be learnt and, as you will discover in this book, the research shows that people who practise mindfulness benefit in many ways including improved attention and concentration, enhanced emotional regulation, a greater awareness of their thoughts and emotions, lower levels of impulsivity, lower sensitivity to biases and habitual behaviours, enhanced risk-based decision making and – from a health perspective – improved immune system functioning. Mindfulness can not only be practised through formal meditation-type practices but also by incorporating its key principles and approaches, and shorter practices, into everyday life, both in and out of the markets.

TraderMind provides an evolved, very practical and applied approach to trading psychology, focused upon the use of mindfulness-based approaches.

TraderMind

TraderMind has been written as a result of the evolution of my own approaches to working with traders and fund managers, both in individual and group sessions, which, over recent years, has seen me incorporate mindfulness-based approaches into my repertoire in an attempt to increase my effectiveness with clients and the results that they achieve. As you will discover later in the book, the use of mindfulness-based approaches is growing in many performance-orientated areas including sports, the military, law enforcement, trauma medicine and in corporate leadership programmes. The use of such approaches is slowly growing in trading, with early adopters including Ray Dalio, founder of \$130 billion hedge fund firm Bridgewater Associates: “Meditation more than anything in my life was the biggest ingredient for whatever success I've had”, he said in an interview at Georgetown University in the USA in October 2011. As reported in Reuters: “Meditation gives me a centeredness it gives me an ability to look at things without the emotional hijacking, without the ego, in a way that gives me a certain clarity.”⁴ Dalio says that the practice has been useful for him, both for generating creative thought and evaluating and responding to the huge overload of stimulus which presses upon money manager every day. Bill Gross, the bond giant of Pimco, says that he leaves the trading floor every day for yoga and meditation. Importantly, meditation is being seen more and more as an edge for traders, a theme that was reported in “How to make a killing on Wall Street, start meditating”,⁵ which gave examples of billionaire hedge fund trader Paul Tudor-Jones as a convert to meditation, the introduction of mindfulness programmes at Goldman Sachs and a key quote from Jeff Walker, former head of JPMorgan Chase & Co.’s private equity unit and a long-time meditator who stated about traders: “These guys are saying, ‘There's an edge here that I need.’”

It is important to stress here that mindfulness-based approaches can incorporate meditation-type practices but also offer more informal and non-typical meditation-based methods that can be utilised as well, and importantly that the word *meditation* could be substituted with equal meaning for “mind

training” or even “mind fitness training” as used in military and law-enforcement settings, and often in my own work with traders and investors.

TraderMind makes the case for the use of mindfulness-based approaches to enhance trader performance, based upon research and practical applications in the real world of the markets. It seeks to teach you specific approaches, practices and techniques that will help you to build the skills of awareness and attention, which will enable you to manage your thoughts and emotions more effectively, overcome habitual or impulsive trading behaviours that are not useful, manage your feelings of energy, develop your market feel and intuition, become more responsive to the market, become more situationally aware and build patterns of effective trading behaviour, as well as overcoming behavioural biases and ultimately enhancing your trading decisions.

The approaches that you will learn from *TraderMind* can be utilised on their own as a core approach to trading psychology or they can sit alongside other approaches and methods as a complementary strategy.

Having a strong trading psychology does not, of course, replace the need for trading skills, knowledge, strategy or key performance behaviours such as preparation and performance analysis, but rather acts as an enabler or facilitator, even a multiplier, of enhanced trader decision making and improved performance. The best traders and investors have a combination of skills and knowledge, strategy and psychology.

What's in Store?

Chapter 1: What is Mindfulness?

In this chapter we explore what mindfulness is and what it isn't. We look at the rise of mindfulness from its Buddhist origins to its use in elite sport, leadership, the military and the markets. We also look at the research into the benefits that mindfulness practice provides, including how it can help with managing emotions, improving attention, reducing stress reactivity, enhancing decision making and boosting health.

Chapter 2: Developing Your Mindfulness Muscle

When I teach mindfulness I often talk about it as “mind fitness”, having a mind that is fit for action and capable of performing well in the trading environment. Developing mental and emotional fitness is much like developing physical fitness, requiring time and practice. In this chapter we look at the concept of neuroplasticity – how the brain can grow and develop through training – and learn specific methods for developing the skill of mindfulness. You will also get to take the *Mindful Attention and Awareness Scale*, so that you can assess your current level of mindfulness.

Chapter 3: The Attention and Awareness Advantage

Without well-developed attention it is very difficult to do anything well, be it reading, having a conversation, playing an instrument, playing sport or trading the markets. Attention lies at the heart of trading performance, and is also at the heart of mindfulness practice. In this chapter you will learn about the three key areas of attention and how to develop your attention and awareness through mindfulness practice, leading to a greater ability to sustain attention, recover more quickly from distraction, be more situationally aware, develop greater empathy and also develop greater self-

control and self-regulation; the ability to manage your thoughts and emotions.

Chapter 4: Thinking About Thinking

Your thoughts, beliefs and perceptions all influence your trading and investing behaviour and subsequent decision making. Having a greater awareness of your thinking processes, and being able to manage your thoughts more effectively, can lead to improved decision making. In this chapter we look at strategies for developing thought awareness and techniques for working with thoughts, beliefs and perceptions that may be interfering with your trading performance.

Chapter 5: Embracing Emotions

Emotions get a lot of coverage in writing and conversations about trading. Over the last few years we have seen some significant shifts in how emotions are viewed in trading, and in the ways in which emotions can be most effectively managed. Being more open to your emotions, embracing them and working with them, in line with the latest neuroscience research is the key theme and focus of the practices in this chapter.

Chapter 6: Managing Urges and Impulses

Warren Buffett talks about the need for traders and investors to be able to overcome the urges that get people into trouble in the markets, and that is the theme of this chapter. What are the urges and impulses that traders face, where do they come from and how can they be managed more effectively?

Chapter 7: Trading With the Body in Mind

The brain and body are not two separate entities as many people have come to believe; rather, the brain is “embodied” within the body and they are a part of one integrated system. In this chapter we look at the “physical” side of trading, the sensing and feeling of the markets physiologically, the evolutionary benefits of this and how to apply them to the markets. We also look at the importance of physical and cognitive energy and their impact on your decision process.

Chapter 8: Habits, Behaviour, Action

At the heart of all trading decisions lies trading behaviour – action. Many of these actions are “habits”, well-established patterns of behaviour, some of which serve you well and others of which may be creating interference in your performance. In this chapter we explore how behaviours and habits are established, how to build ones that are effective for trading and how to manage and release existing habits that are no longer useful.

Chapter 9: Turning Towards Difficulty

Trading brings many challenges, not least having to deal with losses, losing runs, change and other causes of trading stress. All traders will face periods of difficulty in their career, some more intense than others, some for longer than others. In this chapter we explore the use of mindfulness-based approaches for dealing with difficulties, including the importance (and benefit) of turning towards them and approaching them, rather than avoiding them.

Chapter 10: The Mindful Trader and Investor

This chapter focuses on helping you to develop your own ongoing mindfulness practice, both formal and informal, and explores ways to apply it in real time, during the trading day, helping you to become a mindful trader.

***TraderMind* Mindfulness-Based Trading and Investing Training Programme**

The book concludes with a template for an 8-week *TraderMind* training programme, with a specific focus for each week and recommended exercises and reading to complete. Taking the time to complete the programme will provide you with a formalised training programme and enable you to integrate all the knowledge and strategies from the book, develop your skills and maximise the benefits you get from your purchase. (The programme is supplemented by access to several online resources that will complement your training experience and learning.)

Getting the Most From *TraderMind*

One of the key factors in the success of any coaching, training or development programme is how much effort the client puts into it, and likewise one of the factors that will determine how successful *TraderMind* is in helping you to enhance your trading performance will be how fully you immerse yourself in the book and the action you take as a result of it. As my father has always told me, “you get out what you put in”.

Here are a few key points to help you get the most out of *TraderMind*:

- Remain curious and open minded; there are some relatively new approaches in this book that may be unfamiliar to you at first – they were to me once. Keep an open mind and try ideas out first before making any judgements.
- *TraderMind* is a skills-based programme; to get the most from it will require effort and commitment. Just like developing any skill, practice and time are required.
- Utility – everyone who reads this book will be different in some way. As you go through the book take out what is useful (workable) for you in relation to what you are trying to achieve in your trading. Think in terms of utility, what is useful or not, rather than right or wrong.
- Keep your expectations reasonable and manageable to increase your chance of success.
- Remember that enhancing performance is evolutionary and not revolutionary – work at learning the key content and ideas from the book, practise the exercises and techniques, and keep looking for signs of progress.

What Brings You To This Book?

Take a moment to sit quietly in a comfortable position. Ask yourself “*What brings me to this book?*” Notice what answers come to mind.

Sit quietly for a bit longer and when you are ready, ask yourself the question again. “*What brings me to this book?*” Allow yourself to be aware of your thoughts and answers.

And when you are ready, ask yourself for the final time. “*What brings me to this book?*”

Final Words

I know that the many traders and fund managers I have worked with across the globe, both in group training programmes and in one-to-one coaching, have found the mindfulness-based approach to trading psychology refreshing, simple to apply and, most importantly, very effective. The feedback after workshops and training programmes that I run always cites the mindfulness techniques as being “very practical”, “very useful” and amongst the key take-outs for action. It is because of this feedback and the highly positive experiences of traders to whom I have taught mindfulness-based approaches in one-to-one coaching, that I have committed the time and effort to write this book. My aim is to make this type of approach available to a wider audience, whilst also providing further reading for course delegates and coaching clients who always ask “Is there a book I could read that you would recommend?”

Let me know how it goes.

What is Mindfulness?

What is Mindfulness?

Mindfulness is defined by one of the world's leading mindfulness researchers and practitioners, Jon Kabat-Zinn of the University of Massachusetts Medical School, as “A way of paying attention: on purpose, in the present moment and non-judgementally to whatever arises in the field of your experience”.¹ Michael Chaskalson, in his book *The Mindful Workplace*,² defines it as “A way of paying attention in the present moment, to yourself, others and the world around you”. In a very simple way, it is noticing what's happening, while it's happening. Mindfulness is a way of connecting to your present moment experience in an accepting way.

In trading, these definitions might translate behaviourally as trading in the moment, paying attention to what the market is doing right now and the environment around you, being aware of your own thoughts, emotions, physical sensations and any impulses or tendencies to act. You would be fully present and more aware of preconceived ideas or biases that could influence you, and you would probably be experiencing lower levels of anxiety as a result. You would be attentive and aware, responsive and engaged.

Mindfulness is the opposite of mindlessness, which can be defined as living on autopilot, governed by your past conditioning of thoughts, beliefs, emotional responses and behaviour. Whilst much of the time this process can be healthy and performance enhancing, within all of your automatic experience there may also lie patterns of thinking, feeling and doing that are detrimental to your trading performance, ones that have been learnt in the past but are no longer useful.

The cultivation of mindfulness develops your ability to be present, to be aware of what is going on within you and around you, to notice the stream of moment-to-moment change and to develop greater choice, to act on purpose as opposed to being reactionary and dominated by mindless habits, patterns and reactivity.

Importantly, mindfulness is a skill – it can be learnt and developed. We all have an inherent ability to be mindful; however, with the ever-increasing pace of change in the world, the amount of instant stimulation and the level of information overload that our brains get exposed to, sometimes being mindful – whilst so simple in nature – can be extraordinarily difficult. Consider the requirements of the trading environment and its demands on your attention at any given time: prices flickering, P&L numbers moving, graphs and charts changing, news flowing from screens, squawks and televisions, the noise from other traders around you, phones, mobile phones, instant messenger... the list could go on, and the effect is that being able to be fully present, attending to the here and now, is, for many people, becoming more and more difficult.

The practice of mindfulness encompasses focusing your attention on your experience of thoughts, emotions, feelings and body sensations as they arise and pass, from moment to moment.

The *Contact Points* practice below is a great way to experience mindfulness.

Practice: Contact Points

- Find a comfortable, upright sitting position with your feet flat on the floor and your back slightly away from the back of the chair.
- You may choose to close your eyes or you may wish to keep them open, in which case, lower your gaze towards the floor.
- Focus your attention on to a physical sensation, the sensation of your body pressing down in contact with your chair, or the sensations in your feet as they contact the floor. Notice where the sensations are strongest, the feeling of sitting on the chair, or the contact of feet on the floor, and allow your attention to rest there.
- After a while you may find that your mind wanders. When you notice this, simply acknowledge where it has wandered to and bring your attention back to the contact point without judging or being critical. Minds wander, it is what they do.
- After a minute or two, let your eyes open and return your focus back to the room.

What was your experience like? Many people find that even in just a short time their mind wanders a number of times, to a number of different places, and often quite shortly after they begin.

This is probably a good point at which to switch our focus onto what mindfulness isn't. Despite all the potential benefits and upside to developing mindfulness skills to enhance your trading performance, there are still some people who remain a little wary of the idea, particularly when they think of it alongside the word “meditation”. Here are some key points drawn from Mark Williams and Danny Penman's book *Mindfulness: A Practical Guide to Finding Peace in a Frantic World*:³

- Mindfulness is secular, and is not a religion. It is simply a form of mental training. To help frame it as such, the US Marines have named their mindfulness-based programme “Mind Fitness”, as has a colleague of mine who delivers his programme in prisons, and as have I in my work with traders.
- Mindfulness practice is not a “soft” approach to mental training and will not deaden your mind or prevent you from striving towards achieving your trading goals. It will actually do the opposite, by training your mind, making it sharper and more effective and giving you a greater chance of achieving your goals.
- Mindfulness practice can be done seated, on buses or the train, while walking, and does not require any specific kind of clothing. You do not need to sit cross-legged in loose clothing or a kaftan, as seen in many magazines.
- Mindfulness is not complicated. It is a process, and there is no measure of success or failure in your practice of it. Even when your mindfulness practice feels difficult, you will find that you have gained something from it.
- Mindfulness practice does not have to take a lot of time, as you will see in Chapter 3. However, like learning any skill it does require some practice and perseverance if you are going to get the benefit.

Equanimity: Approaching and Acceptance vs. Avoidance and Aversion

One of the central and most important aspects of mindfulness-based approaches is accepting and approaching thoughts, emotions, impulses and behaviours rather than seeking to avoid them, or control them. This can, at first, seem a very counterintuitive approach, and for many an uncomfortable one, especially when you look at it in relation to more traditional psychological methodologies. However, as we shall see in later chapters, there is strong evidence that the suppression of thoughts and feelings is not a workable strategy and that being more open to them, accepting them and relating to them differently is far more effective.

Acceptance-based psychological approaches have been applied to performance populations including athletes and sports teams, and also to international chess players. In a study involving high-ranked chess players,⁴ participants showed significant reductions in the interference of general, “unpleasant” thoughts, feelings, emotions and impulses during competitions as well as reductions in the frequency of their counterproductive reactions to these experiences as a result of learning strategies and techniques to accept and approach rather than avoid them. Also, as indicated by an objective chess performance measure, all participants in the experiment improved their performance during the 7 months after the protocol in comparison with the 7 months prior to it. In contrast, none of the control participants improved their chess performance.

Another study with a US college volleyball team found that after training in acceptance-based psychological skills, although their levels of performance anxiety remained similar pre- and post-study, they actually improved their performance quite significantly.⁵ It was not so much the feeling of anxiety that was interfering with their performance, but how they were reacting to that feeling.

This process of accepting something, such as your thoughts or feelings, without resistance is referred to as “equanimity”. In fact, in its wider sense, it refers to accepting things that you cannot control, to change what you can, but to let go of the struggle to change what you can't. You cannot, for example, control the markets. It is important to stress here that acceptance is not a passive state of resignation, and does not mean that you stop trying to grow and develop as a trader. Rather, acceptance entails a willingness to see things as they actually are in the present – in that moment – to experience them as they are. In my own work I often use the word “approaching” when talking about acceptance, to highlight that it is not a passive process, and that it is also about moving towards what we are experiencing rather than away from it. This ability to *approach* experience, especially when it is viewed as *unpleasant*, is particularly important in dealing with the thoughts, emotions and sensations in the moment, but also in encouraging exposure to these *difficult events* and ultimately it produces an increase in resilience and toughness.

Take a moment to reflect on what you have done up to now in an attempt to overcome the challenges faced in your own trading.

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