

2 TRADERS

[EP102: Stress](#)

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Announcer: Two Traders, Darren and Walter, pull back the curtain on profitable trading systems, consistent money management, and profitable psychological triggers. Welcome to the Two Traders Podcast.

Walter: Welcome to Two Traders. It's Walter here. Hello, Darren.

Darren: Hello, Walter.

Walter: We're going to talk about stress today, Darren. The question basically is, is it a good thing? Is it a bad thing? Is stress something that we should be concerned about when we're trying to manage or is it something that's got to be, kind of been, should we rebrand it?

Does stress have a bad wrap? I'm just thinking. What are your thoughts?

Darren: I don't think it has a bad wrap. I think it's awful and it's really bad for trading. I know myself, personally. If I've got other stresses going on outside of trading, even if it's going as expected but -- I mean, drawdown or losing run -- really hard to make good decisions and focus.

There's been a lot of studies done on it. You should know more about it than me but it's pretty... Everyone's pretty much in agreement that if you're on the wrong frame of mind, or stressful environment, you're not going to trade well.

Your performance is going to go down and they found out with individuals and with groups working together trading flaws, it's not good. It's bad and you've got to have checks and things in place to stop trading when you are feeling that.

It's difficult because trading is like a stressful game so you have to do whatever you can to try and build a good environment and be in the right frame of mind. That is just not mentally, physically as well. You've got to be relaxed and well slept and all of those things are proven to make a big difference.

Walter: Right. I wonder if we can trick ourselves in the thinking, like in a different way though, so when we start feeling... For example like, is it the case that people enjoy riding on a roller coaster simply because they're experiencing that stressful situation?

Like, they feel like they're going to die or they're going to fly out of this little car, this little roller coaster car thing, or they're going to fall off their seats when it goes upside

down. In other words, I guess what I'm saying is riding a roller coaster is really a stressful thing and yet people walk on off of it and they've got smiles and they're happy.

Jumping out of an airplane and then pulling your parachute so that you can land on the ground somewhat softly, that's a stressful thing. People stress out and freak out but again, it's accelerating for them when they make it and they're alive and they land on the ground again.

It's almost like just the kind of the way you see it. Is there a way to trick the brain? So, like if you're let's say, you're riding a whitewater raft thing. You're in a river and you're paddling it with a bunch of other people in your boat and then you get bounced out of the boat so now you're in the rapids.

You're trying to scramble to the side of the river where there's an eddie and it's not... The water is not flowing as fast and you're not going to get pinned in some rocks or whatever. That's a stressful thing too, probably more so than the roller coaster.

Darren: Yeah. Is that stress though or is that enjoying risk taking? I know there's a distinct difference.

Walter: Yeah, that's exactly it. So, my question is exactly that, Darren. If I'm taking a trade and I'm just getting stressed, one way to look at it is to say, "I need to meditate. I need to relax. I need to get more sleep. I need to take Valium" or whatever.

I need to do something to deal with this stress because I want to squash it. The other way to look at it is to say, "Well, it's very accelerating to do my job", which is to take risk and to possibly get paid for that risk or possibly half the pay for taking that risk. You know what I mean?

It's like that's another way to sort of reframing it and saying well, "Hang on now." I mean, is it really stressful, or it just kind of accelerating that I'm a trader and that's what we do?

We've embraced the unknown, we get paid for making decisions or we pay for making decisions. We either pay or get paid for making decisions, that's it. So, is there really any point in stressing yourself out?

You already know going into it, "Well, this is what I might end up paying for making this decision. That's my stop loss and all that," and that's a case you can sleep beyond that and actually pay a little bit more than that, sure. That's definitely true but in the end, is there a way to reframe it and sort of rebrand stress in a way that's not so stressful and not so negative?

I don't know. It seems like there's a way but I don't know if that's something that might be helpful for some people because the obvious things are to take care of yourself, get some exercise, get more rest, don't drink a lot of caffeine or whatever.

You look at your diet, try and meditate or relax, do some breathing exercises. There's lots of things that that's the sort of normal advice but there's another piece here I think could be useful which is just reframe it, look at it from a different way.

I learned this from a guy, his name is Jerry Spence. I'll put a link in the shownote to the book that I read. He's really a famous guy in the United States. He's a Defense Attorney and he never lost a case.

What he was saying in the book was how the way that he knows he's alive was when he's having these really stressful situations and when the moment of uncertainty arrives. He doesn't know what the jury is going to decide, if his client is going to be sentenced or whatever decided that his client is guilty or whatever.

These sorts of moments are the ones that he embraces because he feels so alive in that moment. To me, it sounded like he was just looking at it from a different point of view that a lot of people don't have and I thought that was useful to do that.

Darren: You need to have to... I mean, it's very simple to sit here and talk about those kind of stressful moments and be very rational about them. I think the problem comes when you're in the moment and you're feeling stressed.

The chemical reaction inside of you makes it really hard to be rational. You have to locate the times... You have to pinpoint the events and times that this happens for you and then put in some sort of practice that allows you to reframe them.

What you'll find is that in the moment, all of that rationality of planning goes out of the window and you have this fall coming in front of your eyes and that's where you make the mistakes.

It's really about learning to recognize that feeling when it's happening and note to say to yourself, "Okay, I'm feeling stressed now," and then you rationalize it and put your stops in place to deal with it.

Walter: Yes, that's right. I think that's a great point. I can make a suggestion to the listeners there because you have to have this setup before the fact, basically, is what you're saying.

This is one thing I've learned... Let's say for example that you have this situation where you're in a losing trade or losing trades and you're freaking out and you do some

irrational things like you move your stop further away or something like that. You ended up taking larger loss and you want to get rid of that problem that you have.

What I would suggest -- this is one thing you might do -- is you want to associate a really calm feeling, and feeling of under control, and powerful and rational, and on your game.

You want to associate that with something so that when you're feeling totally off-based and totally stressed out and whacked out, you can reset yourself. Here's an example. Let's say that you can think back through time when you were completely on and you're making all the right decisions and you were just like, you just didn't miss anything.

You're as best as you can be -- and that could be with trading or whatever, it doesn't matter. For example, this really works well for people who have problems getting up in front of a crowd and talking so they can use this if they were worried with their speech they have to make or whatever. What you do is you think about that time and you see yourself doing really well.

So, maybe taking those trades, making those trades, making those right decisions on making money or whatever you were doing so great and then you can visualize yourself doing that, seeing yourself doing that ,and then you can do something like pinch your ear.

What you're trying to do -- and you do it several times -- you'll see yourself doing that and then pinch your ear. Or, you might see yourself doing the great thing and then close your eyes and see yourself doing that and then visualize yourself being like a big blue bubble, giant bubble of just blueness or something so that what happens is you can step into that bubble and immediately get that feeling. Or, pinch your ear and immediately get that feeling. That's the idea so that you can sort of revert back to that feeling of power instead of powerlessness when things are totally falling apart.

I might not be doing a very good description of this but that's basically what you're trying to do. Set yourself up to that tool that you'll have it later on and that's one way that some people, they use that sort of mode.

The idea is to click yourself back into that mode where you're feeling right on and not off your game.

Darren: Once you overcome... You mentioned like public speaking -- I hate public speaking -- but let's say that you have this big fear of public speaking and then you use the technique to help you and that went well, does that kind of fear dissipate as now you've like gone over that hurdle one time?

I believe you do. I mean, I always have a problem closing winners early and then I've got to the point where I was like, "If I've got to do this then I've got to stop doing that. Otherwise, I'm just never getting anywhere."

After I've gone over that hurdle a few times, it's starting to get easier. Is that true? Is that what happens?

Walter:

I don't know. I think it takes longer than... My experience has been it takes longer than just once. I grew up as a really shy kid and then for whatever reason, when I started performing and doing magic shows from a really young age, like 6 years old or so, and so... Otherwise, I was really shy but I was able to turn on that sort of magician thing and wear the hat and the cape and all that, then I was okay being in front of the crowd.

I don't know but I was still always nervous, you know what I mean? But, as far as using this technique, what I found is it takes some time and it really depends on how much effort you put in before you run into the problem.

So, you really want to make sure you've got that associated before you run into the stress. That's the key, I think. It's that you're able to click into it and it helps you but I find that the stress still comes up.

If you have problems being nervous speaking in front of people and you've used that tool to get into your happy place or whatever, you're confident place, I think it's still useful even until the tenth or eleventh time.

It's funny, some people can just quit smoking just straight away and for some people it's like 10-year or 15-year process, isn't it? I don't know. What's interesting to me though is, hearing you say that, reminds me of a lot of the Market Wizards in the "Market Wizard's" book.

They talked about how so many of them had this experience where they took on too much risk and that just, basically, they completely reverses off of that like that was their turning point.

They had too much risk, something terrible happened, and they swear that they'll never do it again and it just kind of like, "Woah!" It reminds me of what you were saying about closing your winners too early.

You're like, "Okay, if I'm going to do this, I'm going to do it the right way and I am not going to close my winners too early" sort of thing but a lot of those market wizards, they were doing the same thing with risk.

They've all decided for whatever reasons -- different reasons -- but essentially the same mistake. They had too much risk on the table and they've all decided, "Look, this is crazy. I'm never going to put myself on this position again" and then they don't.

Darren: Yeah, you have to have something to anchor to. A kind of a moment where you've finally overcome something that's been holding you back for a long time. I think once you do that, it sets you on the right path to dealing with those stressful moments.

You start to see things in a completely different light then as well. I'd always take profit when price starts retracing towards my entry especially if it got close to my target and then retrace.

I'd always make the wrong decision there of just, "Okay, I'm just going to close the trade out" but once I've dealt with that a few times, I have that sort of moment as an anchor. Now, when it's happening -- as I've sat here now -- watching my longs this morning retrace back to the entry, it's having no effect on me at all because it is what it is.

I know that's generally what happens and it'll always happen. It never just goes straight to your TP. There's always that retrace and because I've dealt with that now, I don't feel that same stress.

It's disappointing still but I don't get the stress at such a level now that I have to act on it. I could just sit and see what evolves.

Walter: Yeah. I've read something the other day where they said that... Someone were saying that they thought that the people who do the best always have some sort of really tragic thing happen to them earlier on life.

I wonder if it's the same with trading where it's like you have these turning points like the Market Wizards and that sets you off and you're like, "Well, now I know what to do. I know the right thing to do because I've been through the Valley of Death" or whatever?

It's just like I know what I need to do and you deal with it, you know that by doing this and sticking to your beliefs and your system that you're going to have to deal with this situation that are going to come up but in the end, it's worth it because you know the long game is in your favor.

The odds are in your favor and you still have that edge if you do that. It's that that you lose the edge and that's really the motivation, isn't it? That you don't want to lose the edge by screwing up your system.

Darren: Would you say that particularly stressy-short-tempered people will generally make worst traders then as well?

Walter: That's interesting because you could say either way. I think if they have impulse-control problems then, yeah. I think people that have impulse control problems, they keep jumping at opportunities or whatever. I think they'll be drawn to scalping and then make really, probably really bad scalpers.

However, if they're quite impulsive and they cut their losers short, that'll be great. I don't think that's the way that most of them will operate. I think most of them are just looking for more opportunities and they just jump in on it.

They really want to jump in on something and so that's what they do. They just jump in on any opportunity and I think that's to me so, I would have to say yes. If that's the way we characterize this as with someone who has impulse-control problems, I would say, "Yeah". You don't want to have that as a trader. I don't think so.

Darren: Yeah. If you think about how we trade generally sat on at an office or at home with a computer, generally on our own in an environment that we can pretty much control and you compare that to had I used to trade in the pit which was insanely stressful environment, we should actually be doing a lot better today than those pit traders did.

Walter: Yeah, you would think so. I mean, they have context, don't they? They can see and hear when it gets loud. They see what everyone else is doing.

Darren: Yeah. And we read that, we have to get that from the chart, I suppose.

Walter: Yeah, exactly. You hear in some interviews, you'll hear some old pit traders talk about that. How they had to change their strategy altogether because they didn't hear the noise. They don't hear the noise on the chart like they used to so that doesn't really come through.

It's interesting, isn't it? A lot of those guys, at least in the states, they would be... Usually they would be bigger people like tall, big guys, college athletes because they're able to get people's attention and get the orders.

It's a competition for attention basically in the pit. I think it's interesting that they had different cues and clues as traders than we do as technical traders of the charts. It's a totally different story.

Darren: Are you... You don't strike me as a particularly stressy sort of person anyway. I've imagined you're quite laid back?

Walter: It's funny. The only time I've realized that was true was when I went to get a massage and the lady said, "You know, you always are like, you have the least number of nods in your back" and everything like that. She said to me, "Of all the people, I think you have the most relaxed back."

Most people are just working out all these nods and things like that. I still get nods in my back but she just thought, "You seem you're always like the most relaxed client" or whatever. I thought it's pretty cool.

I didn't really think of myself that way but I suppose, I think that's why I'm not suited to the lower timeframes because it's just too... You know what I mean? It's just too much. I need to step away.

I don't think you can do that like you're trading, if you're scalping or whatever, obviously it's really an intense thing and you've got to sit there and watch, watch, watch and concentrate.

Darren: You just can let it go?

Walter: Yeah, I'm better off letting go. My strength is in letting go. Maybe I do that too much. Like recently, the last, really this year as we record this, I've probably had more trades go all the way and hit my stop than I've in most years because -- and this year's not, this year is halfway through -- probably because I used to cut my trades really quickly.

If they went against me and I thought it was going to be stopped out, I'll pull the plug before. But I have to admit, this year I've been really giving them a lot of room to go and I don't wake up in the middle of the night to check and see if it's going to hit my stop.

I just wake up the next morning and see that's happened where it hits the stop. It might not be the right decision but I find that I prefer to make a decision and then wait for enough data to come back in the form of candles before I readjust, reassess the decision that I made instead of trying to micromanage. I find the micromanaging the trades just is bad idea for me. It doesn't work for me.

Darren: I think that is a result of stress as well because of all the data points to the opposite and it says we shouldn't move to breakeven too quickly and we should give trades room to move and then when you've got big profit on the table then tighten it up more aggressively.

But, it's not like we all want to do and I think it's that stress of when our trades becomes winners that the stress gets heightened. I think for all of us, that's one way that stress manifest itself and how we decide to trade in this strategy that we picked.

Walter: Yeah, absolutely. I guess, to sum it up, looking at stress I think it's something that can drag down your performance. I think that you can try and reframe it and look at it as excitement or uncertainty.

Stress really is the physiological response to uncertainty as would be beginning on that roller coaster. Is there a way that you can imagine yourself in a different state of mind where you'll feel much more in control and associate that with some physical action so that you can bring that up and bring that mindset up later on if you need to, if you're feeling exceptionally out of control and stressed out?

That's basically my point. I will end it from my point, Darren, in saying that I found most stressful experience for me as a trader was when I first got a smartphone and it was before the iPhones came out. I found that having that and looking at the charts all the time was really bad.

You've just drove home, the point that I needed to step away from the chart after entering the trades into this platform that I did not need to watch them. By watching them on my fancy schmancy smartphone which I thought was the coolest thing ever, it was terrible.

My performance took a nosedive so I think that was a pretty stressful thing. I don't know how many listeners out there do that, watch their trades too closely, but that might be something to consider.

Darren: Yeah, I think a lot of them do. I used to do that as well. Final words for me, really watch stress from outside of trading. For me, that is really bad if I'm having a bad time elsewhere with friends or family or business or anything like that, impacts my trading dramatically.

The other one is this idea of learning the events that make you stressed and recognizing when you're having that feeling, putting stops in place. Maybe it's winning trade coming back to you, maybe it's being in a drawdown. There'll be specific ones that really affect you and if you can pinpoint those and recognize that feeling that you have when it happens then that's a really good way and technique of improving your trading.

Walter: Yup, absolutely. Thanks so much for the time, Darren. We'll see you next time.

Darren: Okay. Thanks, Walter.