

2 TRADERS

[EP66: Brainstorming](#)

Darren: Just because everyone is listening to some guy and he shines and the loudest, and he's got a big personality, does not necessarily mean it is a good idea to listen to his ideas...

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 the Two Traders Podcast. Walter here. Hello, Darren.

Darren: Evening, Walter.

Walter: Darren, last time we were talking about this idea that you had been bouncing around in your head and I thought it was really a good one for an episode which is this idea of brainstorming and how people come about with ideas.

I've always thought that it was quite funny. If you've ever been in a job where decisions are made in a group and you have this so-called meetings, they can be hilarious. The point is, you had this idea of a brainstorming and you've seen some research, I believe... Can you explain to the listeners what exactly you've been thinking about in terms of brainstorming and coming up with ideas?

Darren: Just the research suggests that how we do it is wrong and we get it wrong. The idea there is if you've got a group of people together, then from that, creative ideas will emerge. But, it appears what actually happens is that the biggest ego takes over the whole drive of the debate.

The introverts who can have the best imaginative and new ideas tend to keep quiet and, eventually, the whole drive of the debate gets drawn down the avenue that the biggest personality wants to take it down.

I don't know if it's proven but there is an idea that the best way to go about it is to put the idea out there and all the parties write their ideas down prior to meeting. Essentially, the status quo about how we should do brainstorming to come up with new and original ideas is being questioned.

Walter: If you ever sat through these meetings, it's exactly as you described. Like, you have this situations where, usually, there'll be a couple of introverts. Typically, let's say you have a meeting with ten people, someone is going to be the head honcho maybe directing the meeting.

Many people will agree with the head honcho and go along with this person. Then you've got maybe one or two contrarians who are willing to stand up to the head honcho and then you've got a scattering of people who don't really add much to it.

As you say, not because they're unable to but because they are just perhaps a little bit introverted and tired of their ideas getting shut down. What they'll typically do is they'll listen and then they'll think "Oh, that's ridiculous. I have a much better idea" and then they'll mumble to themselves.

They leave the meeting thinking that that was the worst idea ever. And then, there is other people who are willing to float their ideas out there, more extroverted and more confident. Those people tend to drive the debate along with the contrarian and the leader.

What you have here is at least half of the meeting, they often don't add much. When they are asked, sometimes they'll have a leader that prods and says "What do you think?"

Those people who are introverts or not confident enough to float ideas will often just say "Yeah, I agree" or something like that. You are absolutely right. It reminds me of the research in Psychology. I'm sure you've heard of this experiment, Darren, where they have a bunch of people and they bring them into the room.

The subject doesn't know that he/she is the only subject in the experiment. The subject believes that everybody in the room is in the experiment but, really, it's just them and the rest of them are stooges.

What the teacher or the instructor will do is draw two lines up on the board. One line is quite short and one line is quite long. The person says "Can you point out to me which line is longer?" The answer is obvious but everyone in the room points to the wrong one and says that the short line is longer or whatever, vice versa.

So, when it finally gets to the person who is the true subject to the experiment, they often just go along with everyone else. It's a conformity thing. That is what happens when you have this group.

This is a great idea that you should write things down so that everyone has to put it in ink and, basically, offer their idea and then they'll all come out. They can be done anonymously so that the leader sort of reads everyone's ideas and they can go off that.

What happens, I think -- Darren, you probably run into this, as well -- is that people often associate your worth and your ideas as the same thing. If I attack an idea that you have, Darren, some people will think that I am attacking you.

That is what happens in these meetings. If I am attacking your idea, I am attacking you. I just think it's a fascinating take on a different way to run these meetings. I think it would work. I am going to try it out and see but I think this is absolutely true.

I've always thought meetings are largely a waste of time because they were either rubbish, stamping the leader's ideas, or they get nothing done at all. They are just a waste of everyone's time.

Darren: They find that, really, ideas needed to be criticized to actually develop into something good. People tend to avoid -- especially introverts -- constructive criticisms of the ideas and, perhaps, find it easier to just go along with the flow.

This is interesting because you do see in trading that people seem to think that -- let's say, they're all a trend traders -- if they get together in a group then, somehow, that is going to. They're going to refine the idea and get the best solution, the best strategy to trade.

You'll see it with trading strategy threads. They'll start out small, it's a good call, ideas that are perhaps a little bit unique and different and then people joined, the idea loses its way, really. These cool ideas that got everyone interested, in the first place, gets lost.

Walter: Absolutely. That could be partially due to the egos that get involved or it could just be the results of group thing. That is a good point. If you look at some trading forums, what you'll find is -- or many trading forums -- you'll find an idea, that core idea.

Like, here is a good experiment: go find a thread in a trading forum and just read the first five or six post from the original poster -- say it's a trading system, most of them are -- then go fast forward to the end, see what post 675 is about and you'll see how it is completely changed.

Usually, the original poster is either he is long gone or is not really active and the people there have taken that thread and completely changed it. Changed the system and added things, subtracted things, it's almost unrecognizable.

Darren: Yup, definitely. It's strange because they're saying that they always worked together where you will generate good, unique, new ideas. You can always work together as a group and have the completely opposite effect. They're really saying the method, the process of working together, if you get that right, it can be really good and productive. If you get it wrong, you would've been better off working on your own.

I worked with a lot of traders and I get that feeling myself sometimes. I think sometimes, the ideas I put out there are productive for the group and other times they can be negative.

The times that I noticed most with the negatives is when I put an idea forward and they, rather than thinking of the core idea, they try to replicate it exactly. I find that rarely works for the traders.

The traders that do really well will look at my core idea and say "What is the actual logic behind this?" or they'll say "I like that but I think I prefer it with a bigger risk/reward or I prefer not to take as many entries in the week".

They'll take that and run with it with their own. In a way adding constructive criticisms to the ideas I am putting out there and I found they get consistent, and more successful, much quicker.

Walter: I think that is a critical piece to -- as a trader -- to finding yourself and building up what you do. When you add those pieces or change things, those are the alterations to the trading garment that you are wearing for the long time otherwise, it won't fit you.

To me, that is the one thing that stands out. I've noticed that those traders who seems to be quite successful often do that. They'll take something -- for example, Darren, that you say -- some idea and they'll apply that to the way they see the markets then it works for them.

They are not trying to be Darren. They are trying to use some ideas that Darren has in their own trading and what ends up happening is they've got something that now fits and they are able to trade it over the long haul.

That is what I found, anyway. That is a pretty common outcome. This idea that you can decide how you will trade rather than letting someone else dictate. Sometimes, you'll get -- I don't know if you get this, Darren -- but I've got questions like, "How many trades do you take?" and "What is the expected return?" these sorts of things.

To me that implies that the person is looking to simply follow what someone else does. That is not a good idea, it is never a good idea. It's only going to lead to frustration because in the end it's like trading a robot.

If you are trading a robot and the robot runs through a drawdown, how are you possibly going to stick with that robot because you may not know the logic behind or even if you do, you may not agree with it.

You'll start to come up with reasons why you should stop trading that robot. It's the same thing when you follow someone's trades. The real advantage of watching someone trade is to see how they interact with the market and make decisions, not really to follow them every single step of the way.

I do not think you can do that long term. I do not think there are successful traders out there -- there are maybe -- but I don't think there are successful traders out there who simply just listens to what someone else does and follow them step by step. In the end, it's just not a long term solution.

Darren: The obvious example is the retail traders. The interesting thing for me from that was they had strict rules set that they have to follow. The people who are successful follow that rule set but, there is also an element of discretion in there.

The most successful are the ones that best dealt with that discretion, and I remember what it was. It has something to do with when they took profit and which markets they chose to trade.

There is one certain who was successful, probably had the better mindset and understanding the fundamental characteristics of the market. One of the key points for trading is how you think about the market and how you visualize the market.

Walter: Yes. So, Darren, it sounds like as a trader if I see the market in a certain way, that filter that. The way that I've used to view the market is going to dictate how I could possibly interact with the market.

For example, if you look at the market and you see these long moves, these violent moves that go for awhile, strong, steady moves, you may think "Okay, the only way to make money out of the market is to capture those long moves".

So, you are more of a trend trader or you might see these spikes and you might see the markets bounce around and you think "Well, the only way to make money is to trade of the edges of these spikes" or whatever it is. That is going to dictate how you are going to interact with the market.

Darren: That is the point I was trying to get to. You can tell in traders like... Let's say, you are a trend trader, and the strategy is to wait for a trend to develop and then a pull back in entering the market. The trader is asking you what time your four-hour -- let's say, you are doing it on a four-hour charts -- and then they'll want to know what time your four-hour bar stopped.

If you think that the start time of the four-hour bars is going to make any difference over a year or two years of trading, that is simple trend trading strategy, then you are looking at the market the wrong way.

You are looking at it like there's a simple definitive ABC answer rather than looking at the reality of when markets trend, there is going to be opportunities. If your four-hour bar starts at 10 a.m. and mine starts at 8 a.m., the chance of that making a difference over a long series of trades, I might get a nice entry into a winner that you perhaps missed for getting later.

Over 500, 1000, 2000 trades of career of trading, those details aren't going to make any difference. If you are drawn to looking at them, then I think you are understanding what trading in the market is slightly, like you say, "filtered wrong".

Walter:

Yes. So, you are seeing it from your point of view. One thing that I want to mention because you brought up the Turtles, I'll stick the rules for the [Turtles Trading System](#) in the shownotes on this episode for those who are not familiar with them.

I thought that they were almost encouraged to add in their own flare to it, won't they? I mean that is sort of the one of the things they said. "Look, you can use this entry, you can use that entry" and "Choose the market that you are going to trade, try and take all the trades that you see for those markets given the parameters of their system."

They actually have a way of being fully loaded where they couldn't take anymore trades. For example, if you are trading wheats, soybeans, and corn, and you have used up all of your bullets then there was another signal on corn, you couldn't necessarily take that trade, according to their system.

I think you are right. The ones that did well, and by most measures, most of them did well. Maybe one of them didn't do so well from what I understand, for what I can recall. What's interesting is how they said "Look, this is the system, this is how we want you to trade. It's okay to add in your own flare".

I think you are right. It was something to do with the markets that you trade. There was maybe two different ways of getting in, something like that, and actually two different ways of getting out as well.

These are the pieces, put it together in a way that makes sense for you. One of the fascinating things about the Turtles... Just as in a scientist, how Richard Dennis, one of the Turtle instructors, he stopped trading that system.

I find that fascinating how, if you go to some of the **interviews**, there was some period of drawdown. Maybe I can dig that interview up and post it on the shownotes as well.

They were asking him “Why is it that you are not trading the system anymore?” and he said the market had changed. They just made a breakthrough and they figured out that they could still trade the system, they just had to trade it on a different timeframe.

I think they were originally trading the daily charts and they had to trade it to a really, really low timeframe or much much higher timeframe to make that system work. To me, the psychology of the idea that it does not work anymore, that to me was fascinating.

I am one who thinks that while that may be true, often, it is just an excuse to stop trading after you go through a severe drawdown. That’s my feeling. If you have a simple robot system, it should, in theory, work all the time and what ends up happening is we quit during those drawdowns.

That is the most consistent result for the traders that I’ve come across who were still struggling. In fact, they have an email yesterday. The trader has a system, the system is working well, things are going well, hit a drawdown and then stop trading or modify system and then repeat, and do it again. It is interesting to me that that pattern persists even with someone like Richard Dennis.

Darren: You’ve never heard of anyone changing their strategy during a winning streak have you? I don’t think I’ve never heard of anyone do that. It is something to do with losing. I change my strategy continually, really, but the core idea remains the same so I may switch timeframes or I might favor a different management strategy or exit strategy.

I am constantly tinkering and I don’t think that is necessarily a bad thing. To be a trader, you’ve got to be intellectually curious and want to tinker and play with things and want to try and work outside the box and be unique in your ideas.

You need to look at the reasons why you’re changing your core belief about the market. Unless it’s completely wrong and you haven’t had any consistent period of winning together then, that should remain the same unless it’s proven to be false.

Walter: Absolutely, I agree. One of the ways that -- we can do a whole podcast on this idea, Darren of the personality styles and trading because of some interesting stuff in there. One of the things I think I do as a trader, where is the curiosity out there?

What I have done is try to restrict it to testing modes, testing accounts, forex tester, so I have this two worlds. The world where I'm looking at different ideas. Like, right now, I am testing two new strategies.

Well, these does not make it to live account but when they do, I get really excited. That is the way I deal with that. I'll say "I've got these strategies that I've verified, I think that are diseased proof" or whatever and "I think I'll try this out and hope that the locust don't show up and decimate my crop".

In the meantime, I've got these other seeds that I am going to plant and see how they work out. In a lot times, they just die and wither and then that's it but, occasionally, something will grow from that.

The idea that you touched on this thread is that there are different approach to different personalities. There's really interesting data out there about trading and personalities and things like that. Maybe we can cover that sometime.

Darren: It's true what you say, coming back to the subject of the podcast, the idea of working together with people should be that you have those different personalities and they should fire out different ways of looking at the same problem.

You should get, not always, but you might see some inspirations from that. Being able to take it, be critical about it and pick the bitch you like from it and then use some trial and errors to see if that works.

Walter: Exactly. One of the things that I wanted to mention -- and I'll link this up in the shownotes below this episode -- for people is I found... And perhaps, if you are interested in this idea of creative thought and coming up with new ideas in a different way, especially when it comes to a group thing which, by the way we've sort of in a roundabout way mentioned this, Darren that a trading thread -- a formed thread online -- is, essentially, another way of group thing.

It's another way of... It's another form of getting ten people together and seeing them in a boardroom and hushing out the plan. That is the kind of what happened, isn't it? In a sort of a slow, drawn-out way on an online trading forum. Would you agree?

Darren: Definitely. They can be really good tools for learning, especially if you have a focus group already that believe the same bulk part of the ideas about trading. They come together and focus down on one particular idea.

Walter: Exactly. I'll link up this book, there is a book called "*Tinkertoys*" by Michael Michalko, **and** this guy is really interesting. I was turn on this book years and years ago and he -- I don't even know if he is still alive, I believe he is -- his job is to, essentially, go into

different companies and provide creative solutions or infused creativity so that they are able to approach a problem in a different way or come up with a new line of product or something like that.

He has this book with all these different techniques on brainstorming and different principles and things like that. It is really cool. He also sells these toys that you play with to facilitate the same thing.

I find it pretty interesting and it's one I keep going back to. One way that you can do this is to take completely different aspects of the world of science and you add them together.

I'll give you an example. I met this guys who created this company and they were biologists. They met in Costa Rica, these two biologists. I think they were doing something along the lines of Biology. I don't know if they were in graduate school or whatever but, they were studying something in Costa Rica.

What end up happening is they've created a marketing company. The way that they created the marketing company is they used the principles of evolution to determine a method of showing customers products that they may be interested in.

If you've ever been to Ebay or amazon.com, you'll notice that they will often make suggestions based on your recent purchases. That is the kind of software that they created that drives these decisions.

It's basically taking biology and mutations and applying math to marketing in the way that you browse the web and those sorts of things. These are the ideas that you can pull from presumably completely different fields in ideas and you try to link them together.

That is the thing that Michael Michalko will suggest. He'll say, "Okay. So, Darren, you are trying to come up with solution for trading exits. Where might you find solutions for that?"

I know this sounds crazy but you might look at the different ways that a fighter pilot can -- let's say that the fighter pilot is in trouble and he is engaged in fighting in the air -- I guess they shoot missiles at each other or something.

Think like Top Gun. There's two fighter pilots and then there is a boat down there. They are shooting and missiles are trying to take up a fighter pilot up in the air so you have to worry about the boat down there and this and that.

You've got these things coming at all angles so, how do you evade that? How do you survive that as a fighter pilot? Are some of those principles applicable to exiting your trade? Could you come up with a list of five or six ways that a fighter pilot survives in a combat situation and applies those to your trading?

I don't know, maybe you can, maybe you can't. That is the kind of thing that thinking-along-these-lines would encourage. I just pulled this one out of thin air, it may not work for many of you but this is the idea.

The idea is that you will get really interesting solutions as long as you pull them from something completely unrelated. You are trying to link these things up and make them work. I do not know if that makes sense to people but it does to me and I am trying to do that. I am trying to look at different things and say "How is that related to this?" That may help some of you, I'm not sure.

Darren: It will sure take on the actual getting together as a group in a live scenario. That is something you've done quite a bit of and it's something I shy away from. Have you found those to be productive in the past or not?

Walter: Absolutely. One of the things that is important is what you bring up which is, let's say -- and you hear this all the time. If you are listening to people, they talk about psychology. Most of the interesting things that people talk about is psychology.

It's fun. I often think if you have any other profession, sometimes I guess medical but mostly, what people talk about is social psychology. You'll hear, like if you are at a dinner party, people are talking about someone, "The reason why she's like that you know is because her father left. She never had a father. Her father left her when she was just three so that is why she is like that" or, "The reason why someone so is such a jerk is because his father was a jerk" or, "The reason why she is so scatterbrain because she has seven kids, she is always just at the end of her rope" and things like that or whatever.

You'll hear people talking about that. The same thing happens when you get a group of people together and they are all trying to consider "How do I overcome my number one concern? Let's talk about trading."

I've got this number one trading concern that I feel like if I could just get over this, I am going to be in a good spot. What is interesting when other people who are looking at it completely different because they didn't really even know you but they were able to come in and see things in a way that could cut through your filters. They have different filters so they see it completely different to you.

I found that when you get a group of people together and everyone's working on somebody's issue, if you do it right you can get to a point where this person who has the issue has a sort of "Aha!" moment and says "Ah, I see".

Part of it is giving that person a selection of tools that they can use to apply to their problem and choose which one is right for them. The same way that I see building a trading system.

When you are building a trading system, you have this opportunity, a selection of tools that you can lay out and say "Okay, I can use this exit or that exit" or, "I can use this philosophy or that philosophy", "I am a swing trader, I'm a trend trader", "I'm a scalper", all these sorts of things. "I'm looking for a range bound market", "I'm looking for trending market", whatever it is.

"I am going to have a trailing exit". "I am going to have a profit target". "I am going to have a low win rate I am going to have a high win rate". All of these things are up to you. That is the same thing, the way that I see, sort of psychology solutions for people.

You should have a selection of tools available to you. Like for example, you Darren, you have a lot of... You get a lot of new set of writing, am I right?

Darren: I do. I use it as a way of stopping human error when I am trading.

Walter: Right, that is a tool. From our discussions, clearly to me, that is one of your go-to tools: to write. That is not always going to work for everyone. Some people are going to get a lot more out of using hypnosis or going for long walks or runs. Surfing works well for me, too.

Where when you are surfing, you do a lot of waiting. The thing that people think is you go surfing and you are just getting tumbled around by the white water and all that. Not really. When you go surfing, what you are spending 98% of your time doing is waiting.

It is like meditation, in a way, especially if you do not have anyone with you and you are by yourself. You get these thoughts. It is the same thing when you go in a long run or long walk, you get these ideas and they will often come to you and you've got these solutions.

It is the same thing. That is another tool. You might use writing, you might use hypnosis, you might use meditation or some walking meditation, or something like that to come up with a solution.

That is the way that I see when a group gets together and all is working on someone's issue is they will have different takes on it because they have different filters. Beyond that, that is not enough because as you bring it up today, in a group situation there can be situations where you have a lot of people who don't say anything and just go along with it.

You have other people who dominate the conversation. You have to be careful as a facilitator or leader not to dominate or direct the conversation down in a specific path because that can throw off things, too. That is a very tricky role as the facilitator.

My core belief is that it is helpful because one, you get different perspectives but only if you also have different tools that can be applied. For you, writing is a very useful tool and presumably helped you in the past.

That may not work for everyone. Some people, like if I am dyslexic and I do not like to write or I do not like to read or whatever, I just feel I get discouraged when I write because I can't spell. It's just really never been my mode.

Maybe what I can do is record my thoughts into a recorder or... I think most phones nowadays, most smartphones have a voice recorder where you can record your ideas. I often do that, too when, I am out, if I do not have anything to write on.

I just record the idea on my phone, go back and use that later. I do think that different perspectives can help. It is a very different way to getting help that, in Western society we are told, "You need to go see a counselor". "You've got problems son, you need to take these drugs and go talk to a psychiatrist".

That is kind of the way. I don't think it is necessary the best way for everyone. Sometimes, you can get more out of just a group of people, if done the right way. So Darren, what are we going to say here?

As a trader, I am in a situation where I am trying to come up with some solutions. I am having a meeting, it could be an online or in a forum, or it could be in person. Let's say, for example, a lot of people go to these trading meetups.

Often, what will happen is you will have a bunch of traders there discussing different ideas or, sometimes they'll talk about what is going through their minds because they are in a drawdown, they're trying to hammer something out. What can we say that will help them?

We have come up with a few things here. One is if you are on a forum with a group setting, everyone can write the solutions down. In that way, everyone has put their

foot forward. It'll make sense to be anonymous so that the introverts do not get nervous that they're going to be called out "That is a silly idea" or whatever.

What else can we say?

Darren: Well, I probably do not have any solutions on that. The key idea that I get from it is this idea that just because something is considered good and it's always been done that way -- say, with having group meetings, brainstorming meetings, it's always been done the same way -- and it was always considered that that was the best and nobody questioned it.

That is not always the case so always question these dominant ideas about how things should be done. The other thing that really struck with me was just because everyone is listening to some guy and he shout the loudest and he's got a big personality does not necessarily mean it is a good idea to listen to his ideas.

It is just reinforcing my feelings about trading where, really, you've got to think differently, go against the grain. Just because something is ruled, you don't have to follow it and you are actually more likely to succeed if you write your own rules.

Walter: I agree, especially if you have that bent. You have that contrarian sort of go with your own way bent. That is definitely a great way to approach it. I wonder if -- I just thought of something -- I wonder if this might work in a group setting where you make it a rule to start out where everyone must come up with an idea that they believe it will never work.

Darren: Like the worst idea possible?

Walter: Yeah, like the worst idea possible. So, I just had this thought like that, it would do couple things, wouldn't they? It would divorce you, the person from the idea. That is what you're trying to do here.

You do not want people to associate their personal worth with the idea. When the idea is floated and shut down, you can have everyone come up with an idea. Come up with all the worst idea that you know, there is no way it would ever work and then you discuss them.

Sort of like "Now, let's see. Is there anything we can do to make this core idea work?" That would be like an ice breaker, like a way to get it rolling. I thought that would be interesting. I think that the idea of anonymous, everyone writing down, is good. Bringing in seeds from different fields completely out of left field, like the fighter pilot thing.

I know it sounds crazy. It's just what popped into my head, I have no idea. But, why that thing... "How can hitting the eject button in this fighter pilot jet help me get out of my trades?" things like that and so, as traders, probably most of the people listening to these do feel like they want to go on their own way.

I feel like, I mean a lot of introverts who are traders, they do not take direction well I guess will be one thing that I would say. I know there's exception thing in every rule but, I think traders are the type of people who typically feel like they want to go their own way, feel like maybe a little bit introverted.

It would make sense to many traders and I could be wrong here to do something like that where you have this brainstorming. If you've got a bunch of introverts together sometime, you have this brainstorming thing. Good luck with that.

You have this brainstorming thing where you have people come up this worst idea ever, you have an anonymous, you have it written down trying to bring in ideas from completely different fields, things like that. I don't know, it is a tough one.

As you say, this is how things have always been done. In our Western society, it's the norm, isn't it? If you ever have a white collared job, a lot of what you end up doing is sitting to these silly meetings.

They are ridiculous because they are often such a waste of time. It may just mean that we need to blow up the idea of brainstorming meetings and come up with something completely different.

It is a tough one but, really, a fascinating discussion. I know we meandered here and there. Any closing thoughts, Darren?

Darren: Not really. I think we have covered all the whole gambit of trading and life and fighter pilots already.

Walter: Great! We'll see you next time.

Darren: Cheers, Walter!