

2 TRADERS

[EP18: Are Women Traders Superior To Men?](#)

Darren: Us men, we tend to be a bit over confident. Women are less prone to act and over trade.

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

Walter: Hey welcome to the Two Traders Podcast, 2Ttraders.com. I've got Darren on the line. Hi there, Darren.

Darren: Hello, Walter.

Walter: Darren, we've been talking sort off offline here about this idea that women traders versus men traders and what's the difference. You hear a lot of things, rumors, innuendos, and wives tales about whether or not a woman trader is typically better than a man. I'd like to get your take on this on maybe not whether or not they're better or not, but just what's the difference. Why are some traders prone to mistakes that are, quote, "male mistake" or masculine mistakes and then there are females and female traders and how they have maybe their typical mistakes? I know we're sort of generalizing here, but what are some of the differences that you see?

Darren: This is an interesting subject that's come up recently a couple of times for me. There's a couple of female traders in the Daily Trader Group. I've been chatting to them about their trading. A few of them have mentioned whether I thought there was any difference. I wasn't really sure about whether there was, but apparently there's been some research down at Harvard and there are quite distinctive differences between men and women. In fact, actually, it seems like women might actually have an advantage over men. The key points were really that us men, we tend to be a bit over confident and then when we feel stressed and in a crisis we're driven more by anger. That makes us act in that moment whereas as women would perhaps step back and think about the situation a little bit more. Just in general, women are less prone to act and over trade. They even had a look at hedge funds that were headed by women, and in general they perform better than the ones headed by men.

It's quite interesting, really. I guess a lot of the traders are married or have partners and I wonder whether they would consider this or, perhaps, consider trading as a team. I didn't know a married couple that traded the same strategy, but they traded separately. He was very successful and he seemed really disciplined with his trading. He's stucked on his strategy longer and he seemed better able to leave half chances and wait for better setups that he, perhaps, had a better gut instinct for. I wonder whether the fact that he was trading alongside his wife that sort of persona rubbed off on him. If you find this before chatting to traders.

Walter:

That's interesting. I think there are a couple of things you just touched on. First of all, the fact that he had a trading partner and he was responsible or accountable to somebody, I think that would've made a big difference male or female. What's interesting, the study that you mentioned, I've read that females who had hedge funds are 300 percent more profitable than men on average. If you look at companies where they're largely run by female CEOs or strong female leadership that they're also much more profitable than companies that are run a traditional way by men. I think there might be something to that. Anecdotally what I've noticed is that some of the best traders I know are women.

I always chalked it up to some of the things that you just mentioned, which would be something like men let their ego define how they're going to react, especially when things go bad. Maybe women are a little bit more likely to take a step back. If you listen even to conversation, you'll notice that women ... Surprisingly women are much more likely to be interrupted in general. They've done studies on this as well. I think as part of that role that females that is the role of the observer, and they're not always up front and center. There are exceptions, of course, but I think that's part of this idea, these roles that we adapt to as traders. Men are often beating their chest and talking about how great they are as traders, and you don't see that a lot from females.

Again, I know we're sort of generalizing and stereotyping here, but I think there's something about the way of a masculine approach to trading versus more feminine approach that leads to probably greater profits for those to adopt the more feminine approach. I should also mention that in psychology, there's a distinction between sex and your gender. Your gender is what you are physically, and your sex ... Yeah, right. That's an easy one. Your sex is ... They have this thing called the Bem Sex-Roles Inventory. You can actually take this test and it will line you up and tell you whether or not you're on a graduated scale, more masculine or feminine. It has nothing to do with your gender at all, but more your approach to life. I suspect that that would also be a really good indication of how well people do as traders.

Like yourself, I know a couple that trade the euro one minute chart. Inevitably, the woman in the relationship does better than the man. Even though they both trade the same systems, they lock themselves in their rooms for about three or four hours every morning with the London open and they trade the charts, and then they're done for the day, but she often outperforms her husband. I've got a mother-in-law and she's also a trader who's done quite well for herself for someone who's only really picked up trading in the last ten years or so. She's done really, really well with that as well. I don't know if you can put your finger on one thing, but it does seem in general that ... Also my exposure to student traders.

In general, I find that these female traders ... I think that they actually have less ... Their ego doesn't get in the way, they're a little bit more deliberate, and they probably

don't see it so much as a get rich quick thing, but more of a job and they approach it as such. I think that, in general, that's probably why, in my opinion, I've noticed that females do a lot better when it comes to the bottom line.

Darren: That was interesting in the bit about what you were saying about it's not just the gender. It's because, like you say, some men can be more feminine and some women can be more masculine. That goes back to the earlier part of the podcast where we were talking about the traits of the highly successful traders. The men that tend to trade really well are much more in touch with their emotions and they feel more comfortable expressing their emotions and talking about how they're feeling. There must be a bit of a blur there, and really it's your personality as much as your gender that's going to make a difference.

Walter: What do you think would be some of the characteristics that we would want to have knowing ... If you keep the end in mind and you say, "All right, what I want to do here is I want to create the best trader I can out of myself." What are some of things that you ... If I were starting a list, what I might say is, "Okay, you want to be okay with the fact that you can be wrong." It's okay to be wrong. I know traders who are exceptional traders, but their downfall is that it's not okay for them to be wrong. What that means, of course, is that they peel off many, many, many winners and they run their account up.

Then, of course, the day that they're wrong ... It may come two weeks from. It may come two months from now. The day that they're wrong, of course, they give back much too much, and they're spinning their wheels in terms of their account balance because they just can't feel like it's okay for them to be wrong. What are some other things, if we were building a list here that we would say, "All right, these are the things that you want to have for characteristics as a profitable trader."

Darren: I think that one's really important and the other one is perhaps how you deal with risk and perhaps the reason that many traders are men are because we're a bit too willing to take on risk. We're a bit keen to have that sort of risk. When we are trading that perhaps we say, "It's not hitting my line, but it's close to it, so I'm going into it anyway," and you start to break rules because you want to get into that risky scenario. Perhaps for women the other scenario and the reason, perhaps, not many traders are women is because they're, perhaps, a bit too adverse to risk and not prepared to get into trades and, perhaps, will let valid setups go by because they'll find some other reason that's not in their plan why they're going to leave a trade. I figure you need to be good at assessing risk and working within some sort of structured framework with it.

Walter: I think that's interesting what you say about how many women they're not really drawn to trading. It's not something that they particularly look toward. In fact, probably if you surveyed a hundred women you might find that a good chunk of them

think that it's gambling. That's interesting. I'm reminded of a thing in psychology for ... There's this theory in psychology of socio biology where they talk about how your genes are the primary determinant of your behavior. The socio biologists do things like study animals and then they make the jump from what they observed in the animal kingdom to humans. One of the things that they've noticed ... Of course, today this bent on science is quite popular where we're always looking for the gene that determines this or the gene that determines that. They've even isolated things like the gene that determines whether or not you are conservative or not politically and whether or not you believe in God and all these sorts of things. It's very popular at the moment. It's sort of the new paradigm in science or has been for at least the last thirty years.

One of the things that these socio biologists have discovered is that there is this scale that you can ... They call it the go system, or some of them do. There's this scale of being drawn to risk and taking risk and doing things that are a little bit crazy. If you look across the board you'll notice that most, for example, base jumpers are probably men. I'm just guessing. I don't know this to be true, but people who jump off buildings and cliffs and things like that, they're usually men and they're probably high on the go system. If you look at children, the children who are usually running around and wrestling and pushing each other over, that's usually the boys. Why is that? Because they're higher on the go system. I would suspect that having this characteristic being drawn to taking risks and sensation seeking would also be something that a lot of traders are drawn to.

I don't think that's necessarily a good thing. It could be good because it gets you into trading, but it could be bad because it also gets you into bad situations. I think that someone who is a profitable trader would probably also want to be able to plan and be very good at sitting down and planning things out. If we're building our list here what I would say is, you're likely to be high on the go system if you're attracted to trading ... Not everyone, but many would be. The second thing would be that you're deliberate and that you like to plan things out and you're not so by the seat of your pants. I think you'll get into trouble if you start trading by the seat of your pants. I don't know if you've done that before, Darren, but I certainly have and it was a disaster.

Darren: I have. Definitely. It's quite fascinating that how our personalities make sure a difference in the way we trade. I wish I knew good ways of ... Like you say, I'm working out some sort of score and saying, "Right, well these are the mistakes that I'm most prone to make." I suppose that if you're not experienced in that sort of thing and you haven't got that sort of knowledge, then, really, if you keep a good journal then it should be pretty clear where your weaknesses and strengths like. Then you can adapt your system to overcome them.

In general, women tend to be more in touch with their feelings and emotions and certainly are much more comfortable talking about them with their partners. We know that this gives people an advantage when they're trading. It's not only women. A lot of successful male traders have that trait as well. Perhaps it's quite easy to know if you're that sort of person or not. If you're feeling down, if you can..... and tell them that you're feeling down and why and you can express it and articulate it, then you're probably better suited to being a trader than someone that couldn't.

Walter:

That's fascinating, and it reminds me of some of the things I've learned about psychological research. For example, those families who've gone through an abusive situation where, say, a child was abused or went through a really nasty situation ... The families that don't talk about it, it ends up being a problem for the child much more so than when they actually talk about it. When they just shove it away in the corner and don't talk about it, it's a bad thing.

The other thing that I've read recently was about how they can tell ... There's this famous psychologist up in the U.S. either in Washington or in Oregon. I think he's in Washington, but he's famous for being able to sit down and listen to a conversation. He's taught his students how to do this as well, but they can sit down and listen to a conversation between a couple and they can usually determine within five to ten seconds whether or not that couple will divorce in the next twenty years just based on their conversation. One of the things that they found is that those couples who do well over time actually don't hold things in.

It's counter-intuitive, but when, for example, the wife is really upset because the husband leaves his dirty socks on the lounge or whatever and she actually goes out and tells him this and says, "This is ridiculous. Get your socks off the lounge," or whatever it is. Those couples who are okay letting each other know when they're really upset, they do much better over the long haul whereas those couples that keep it in, it usually ends up ... The dam breaks at some point and then the relationship is over or doomed or something.

That reminds me of what you're talking about with female traders. We all know that females ... It's funny. As men we make jokes about how females go out and they have lunch and they talk about their feelings and they talk about things that went well and things that didn't go well, and it's a lot centered on their feelings about each other, the feelings about their partners, their feelings about their kids or their job or whatever. There's a lot of talk about that. I think that that's the kind of thing that you're pointing to, Darren, that we can use as traders and being able to even use that in our journal. Jotting down the feelings that we had today when we took that trade or jotting down the feelings we had this week when that trade went in that direction or whatever it was, these sorts of things getting into a habit of purging your feelings is

something that might lead to a more profitable experience for you as a trader. I think that's one thing that can definitely be used.

Darren: Definitely. I agree one hundred percent, Walter. I think in summary you don't want all the traits of a really feminine person or a masculine person. You need to have a little bit of both, really. You need to sit in the middle grind and be able to take on risks, to have the desire to get into that risky scenario, but at the same time you need to be aware while you're doing it and not just because you're angry or stressed or excited and you're doing it rationally if you like. I suppose if you are one extreme and your wife's the other, you're going to have to trade together as a team.

Walter: Exactly. That's a big one. If you see yourself having difficulties, especially with emotions, having an accountability partner, trading partners, someone that you're accountable, that's a big tip. I think what we're saying, Darren, is we really don't want to have a situation where on one side of the scale or the other and extreme because that can be bad. Maybe if you're two on the feminine side, you're scared to pull the trigger especially after a loss. If you're on the other side of the egotistical male, then you're probably revenge trading left, right, and center. There are lots of different faults that can really lead to your downfall as a trader, but if you're centered, if you're aware of what you're feeling, if you keep a journal as you say, you have an accountability partner, all of these things ... You're not really shying away from emotions. I think these are the sorts of things that can really help.

Darren: Yeah, really good. Again, just to wrap up it comes back to we always end up getting around to the point that the psychology and the mental side is so important. People continue to deny that it's playing such a big part, but whenever we try and have a discussion about trading and what makes people successful trading and what makes them lose, it always comes back to this mindset and psychology. It just proves the point that it's really important.

Walter: Absolutely. We'll see you next time, Darren.

Darren: Thank you.