

Preface

NOT DONE YET

What is this speech about?

Traders are supposed to give talks about charts and indicators and strategies and setups. That is what an audience expects, and that is what traders tend to deliver.

I have given a lot of those kinds of talks. I started giving talks like this back in 2001. That is a long time ago. I worked for a firm that contracted me out to its white-label partners to educate clients on charts. I have probably stood in front of an audience 1500 times in the last 20 years.

The problem I have now is that I am an accomplished trader. I was not an accomplished trader 20 years ago. Twenty years ago, I was an accomplished chart analyst, but I was not an accomplished trader. That came later.

The problem I have is that I can't justify standing on a stage or in front of a group of students, and purely talk about charts and strategies and the likes. Why, might you ask? Is it not important to have chart knowledge?

Yes, of course it is important to have chart knowledge. It goes a long way on your journey as a trader. In fact, one could reasonably make the argument that you do need some chart skills to survive the trading game.

So, what is the problem? Well, the problem is that society, social media and popular opinion has shaped an ideology that suggest that all you need to succeed in the trading game is an edge. All you need to make money is a good strategy.

Is that not the case? No, I am certain it is not. I am certain it is not enough to have a successful strategy and a positive mental outlook. I believe there are many accomplished people trading the markets, that have a good strategy, that have a positive mental disposition, who still fail to be successful over time.

I have in my "travels" in the trading world met many people, who are frustrated by their lack of progress in the trading arena, in spite of their earnest effort to make something of themselves. I have listened to their stories. I have seen their statistics. I can only come to one conclusion. There is more to successful trading than just having a good strategy.

And that is what I wanted to talk about in this speech. As Rutger Hauer says in the dying moments of the movie Blade Runner, "I have seen things you people wouldn't believe". And I have. Working 10 years on a trading floor will serve you plenty of helpings of human euphoria and abject misery.

Therefore, I can't stand on a stage and with integrity teach chart analysis alone. It would be misleading to suggest that was all you had to learn to become successful. I want to add the "secret ingredient".

If there ever was a secret to trading success, it would be the thing that stares back at you every time you look in the mirror. I want to give a talk about performance enhancement, and I will.

But I suspect a 3-hour talk purely about the nuances of our internal biology and physiology will quickly lose the audience. I think you have to draw parallels to the act of trading. You have to connect the dots, so that you understand WHY you are doing what you are doing.

And that is hopefully what you will gain from being here today. You will understand YOU. You will understand what is happening "under the bonnet", inside your head.

There is a little side story attached to the beginning of the talk. I gave this talk in Amsterdam yesterday. It was Friday night and I arrived in Amsterdam about midnight. As usual, I was riddled with anxiety and nerves about the talk.

I spoke to a psychologist about my speaking anxiety. He said, "Do you have stage fright? Are you nervous that people are looking at you?"

"Oh no, I am nervous if I have managed to capture everything I want to say", I told him. "That is not anxiety Tom. That is professional integrity. It shows you care and you want to get the message across so that they understand it."

When I walked into my hotel room next to the airport, I was nervous. I began to question whether I had captured absolutely everything that I thought was important about performance enhancement. Could I explain it better?

I sat down and I started writing. I wrote 5,000 words in one straight sitting. Maybe I was high, when I wrote it. I do not drink, nor do I smoke. However, I think the people next door was smoking hashish, and the smell drifted through the air conditioning. Amsterdam, heh? But I think the fumes loosened my anxiety and inspired me to dig deep into my psyche.

A few hours later I had written a rather extensive document called the Dopamine Connection. It is essentially an in-depth insight into how our minds work when we are under the influence of excitement or fear or encouragement.

I wanted to describe in very careful detail how our hormones affect our decision making. These hormones are present in lesser or greater quantity, depending on your mental state of being.

If you are sat on the sofa on a Saturday night, watching a calm romantic movie, it is unlikely there is a whole lot of adrenaline or dopamine floating around in your body. You are calm and content. It will take some outside events to break that calm.

And then suddenly you hear a strange sound. It does not fall into the category of normal household sounds. Then you smell smoke, and your fire alarm kicks off. Your children are sleeping upstairs.

Dopamine, epinephrine and norepinephrine are the main catecholamines (a label based on having part of the same molecular structure). These hormones are made by your adrenal gland, which is a small hat-shaped gland located on top of each of your kidneys.

Dopamine is also a neurohormone released by the hypothalamus in your brain. Dopamine is converted to epinephrine – which is also called adrenalin. This hormone can cause us to take fight or flight, if we sense danger.

It produces a rush of energy. Think of the New Zealand All Black Rugby Players going through their HAKA, and you get a ritual which for all intents and purposes has at its heart to arouse the spirits – and the adrenaline in the body.

But you don't need a HAKA to inspire you. You fly out of the sofa. You rush up the stairs. Your priority is your children. You don't think or contemplate. You act. Incidentally I have experienced this. It was the 4th of July, and my house caught fire. I was in the shower when I smelled smoke. Then the fire alarm went off. My boiler had caught fire.

At that point in my life I had already gone through extensive mind training to handle the irrational unwanted behavioral traits in my trading, which caused me to act against my best self-interest. I stepped out of the bath soaking wet. I wrapped a towel around my waist. I took another towel and wetted it. Then I put it against my face. I went into the bedroom and got my phone. There was thick smoke everywhere. I closed all doors quickly. Then I went outside, where my family was waiting. Job done.

The experience prompted me to consider writing a book about mind training. I wish I had just left it at that thought, but I didn't. Writing a book sounds so romantic, so novel, but it is very time consuming. I am glad I did because I think the book *Best Loser Wins* have made more and more people realise there is more to trading than just the technical tools.

This speech is about YOU. Why do you do what you do, and what provokes you to do it. I want to inspire you to take the necessary steps to make lasting changes for the betterment of your decision making under stress.

It is about 10 months ago since I stood on a remote beach in the Canaries, and I heard a cry for help. It was a desperate cry for help. I rushed to the shoreline, and I established that man was in danger. He was unable to swim back to shore, on account of the strong outgoing rip tide. It was a dangerous situation.

A young man rushed past me and dived into the waves crashing onto the beach. The beach break was vicious and the force of the retreating water made it impossible for the young man to make it past them, and it made the helpless swimmer unable to get in.

As far as I can understand, through analysis of my own behaviour, our minds are made up of two thinking modes. There is the “impulse mode”, which has a direct line to our subconscious. There is also the “considered mode”, which is a direct response to our rational thinking.

My impulse was to dive into the water. I paused, and I thought it through. I am fit, but I am not superman. The guy in trouble is strong. I know that because I had observed him 20 minutes earlier, when we were body surfing side by side. He is strong and lean, and now he is in trouble, and he has easily been in the cold water for 30 minutes.

If I swim to him, which I know I am able to, how will I get him in? I looked around. There were no lifeguards. There were no buoyancy aids. My pulse was racing, and I started focusing on my breathing.

There is a notion that we should take deep breaths when we are stressed. I will disagree with that. What we need is rhythmic breathing. I use “breathe in for the count of 4 – hold for the count of 2 – breathe out to the count of 8 – hold for the count of 2 – repeat”.

Notice what I am doing here. I am stopping. I am mindful of my breathing. I assess the situation. If he has been in the water for 30 minutes, he will last another 10 seconds, until you assess what needs to be done.

The young man who had dived straight into the waves was getting exhausted. When he rushed past me, I noticed how lean and muscular he was. I concluded that I was unable to help the man alone.

I spotted two surfers a little further down the beach. They had not heard his cries for help because of the ocean noise. I sprinted down the beach and I got their attention. They came out of the water. I still think they came out of the water because I was shouting so loud. I think they thought I had seen a shark and I wanted to warn them 😊.

The three of us ran over to the closest point of distance to the helpless swimmer. The surfers were wearing wetsuits, which creates buoyancy, and we used their surf boards to transport the man to shore.

Hormones lit my body with instant energy. The adrenaline was coursing through the veins of my body. It is a marvelous hormone, one with lifesaving qualities. Unfortunately for me, as a professional trader, I treat adrenaline and its mother – dopamine – with the same respect I would treat say a raging ocean. I love to surf in big waves, but I also know that I need to have the utmost respect for the sea.

Therefore, when I surf, I am both scared and excited. Incidentally I often feel the same emotion when I am trading. I am excited about the opportunities and scared what might happen. I believe that we can learn to harness our hormones to our benefit, when we bring in rational decision making in the process. That will take training and experience.

When I look back at the drama on that beach, I absolutely thank my lucky star that I am a trader with a keen understanding of the mind. As a high-stake trader I am used to stress, and I am used to stepping back and assessing the situation.

I firmly believe that it would have risked my life if I had ventured out to help the man alone. He was in a state of panic, and you could hear from his cries for help that he was in a panic mode. He would most likely have held on to me so tightly that he would have drowned me.

My intention with this speech is to explain our minds from a trader's perspective. How can we learn to act in our own best self-interest? What tools do we have? What training should we consider.

PAUSE