

# IMPROVING YOUR TRADING PSYCHOLOGY



## FIVE USEFUL EXERCISES

In addition to trading strategies and proper risk management, trading requires discipline, stress management, focus and mental clarity. Just like traders are always looking for an edge in their trade setups, they are also always looking for ways to improve their emotional responses, improve resilience and manage their stress so they can better focus on executing their trades. Here are five every day exercises that you can do to help improve your mindset, decrease stress and improve your overall mental clarity.



## 1. Create Movement

While it's easier to believe we should just will ourselves to focus harder, or just be more like a robot, the easiest thing we can do to help our mindset is to use our body-mind connection to our advantage. It requires very little effort, but several movements, postures and exercises are scientifically shown to improve our mood, mental clarity, emotional responses and problem solving abilities. Little effort for a big reward? Sounds like a good trade.

A 2009 study by Lleras & Thomas showed that bringing awareness to body movement helped higher order thinking. While seated, this can include using large flowing body movements, like stretching out your arms wide while focusing deeply on the body itself as it makes the movements.

In addition to sweeping body movements, keeping a strong posture in stressful situations has been shown to help study participants keep higher self esteem, experience less fear and more arousal, all things that will help in a stressful trading situation. Posture practice over time can help build resilience to stress, which is key in a fast trading environment. (Nair et.al, 2014) To facilitate this, try using a standing desk, yoga ball, or raising your monitors to chin height in order to achieve better posture.

Posture practice can also be done before starting the trading day. A famous Ted Talk by Amy Cuddy taught that two minutes of power poses, think hands on hips Superman pose, increases testosterone and decreases cortisol (the stress hormone) in the brain. Posture practice is not just important to increase mood, it's also important because a depressed posture is not neutral, it actually depresses you. When people sit in a depressed position, they are actually less likely to trust the thoughts and ideas they have. Struggling to stick to a trade plan? Perhaps your body language is telling your brain you don't believe in it enough to stick to it.

Walking is the next key body movement we can easily incorporate in order to decrease stress and help our mood. In fact, we can elevate our mood by changing our walking style too. If you go for a walk in a stressed state, you might start off slow, or very flat - little to no up and down movements. Try increasing your speed, and amplifying your arm swinging and up and down movements in order to boost your mood.

## 2. Reframe

If the body-mind connection can change our outlook from negative to positive just by the shift of posture, we can then use that as a jump-start to reframe our circumstances too. In any situation, there are two sides to a story and then there's the truth. What we perceive from one angle, can be completely different if we look through a different lens, or through a different emotion. Those that study Neuro Linguistic Programming (NLP) refer to this as the other mind's eye. They view that the opposite side of the brain stores an experience through a different lens, and if you can access that, you can actually change how you perceive a given event.

The famous power lifter Mark Bell recently said that he doesn't have any bad days. It's not because bad things don't happen, it's simply that he chooses to reframe everything as something that can be learned from, or that even helps to propel him forward. Both these concepts are similar, perhaps Bell's a bit easier to implement. The idea is similar to learning

from mistakes, but you can't stall there. To just say, that was a mistake I will do differently is not the same as reframing. Reframing means to re-imagine the event in a way that you can see it from a completely different perspective. An example that happens often in trading is stopping out of a trade right before it seems to work in your favor. How can you reframe that in order to not feel frustrated? For some a reframe would be to imagine times their stop saved them from deeper losses, and reframe the situation as the practice of great discipline and risk management, rather than great frustration. Then use the situation to figure out how they could have adjusted, or what information they can incorporate into the future to limit the times that happens.

Practice by taking an event in your life that caused sadness, anger, hurt or frustration, and imagine it through a lens of how it could have somehow led to your growth, development or something else positive in your life.

## 3. Create Discipline

Getting better at any skill requires practice. And this goes the same for the skill of discipline. It's important to practice discipline both in and out of the markets in order to build those muscles. There are exercises you can do to build discipline, some are more intuitive from brushing our teeth to exercising every day. We can build that out further, going to sleep at the same time each night, avoiding certain foods. In the markets we can practice discipline by immediately placing a stop after entering any trade, or waiting 5 minutes after an exit to make a new trade. But if we need to build the discipline muscle, then we can also create an environment in which to practice it intentionally. The exercise is as simple as this. Empty the table in front of you, and place a paperclip on the

table. Then sit at the table and do not touch the paper clip. Pick a set time for which you will not touch it. You can vary the exercise by increasing the time, making it something more enticing, perhaps putting your food in front of you and then not eating it until you wait one minute. You can use regular everyday options to intentionally practice small amounts of discipline and build the muscles in order to translate it to bigger and more meaningful situations. You can also vary the stress around the time in order to make the practice approach more and more what it would be like in a trading situation. Similar to a basketball player who practices thousands of free throws, the more you practice when at ease, the more likely you will be able to perform when under stress.

## 4. Zoom Out

You can't see the forest from the trees is a common expression, but it's also a meaningful one with respect to stress and mindset. In trading, when it's difficult to see what is happening on a shorter term chart, it is useful to zoom out to see what the overall picture is telling us. Both in forests, and in charts, zooming out gives us the clarity of the bigger picture in which to orient ourselves. But it actually goes deeper than that. Try this exercise. Bring a small object, like the size of a pinhead into focus, and then remain focused on it. You will quickly grow tired. Focusing hard on something so narrow and specific is tiring and stressful. As stress increases, clarity

## 5. Write it out, then throw it out

How often have you had thoughts ruminate in your head, no matter what you do, you just can't stop thinking about them? Journaling, writing things out, taking them from the theoretical stuck in our head to something physical helps us focus our thoughts, clear up mental space and bring more clarity. Once again though, we can take things one step further. Our brain cares less whether a thought is factual, but is more focused on how much we believe the thought, or rate it as valuable. If we write down a negative thought and put it in our pocket as we would with something valuable, we are more likely to believe and be attached to the thought. Whereas if we write that same thought down, and throw it in the trash, we are a little less likely to believe its value, because we literally treat it as garbage. When negative, stressful or debilitating thoughts start coming to you, write them out, then throw them out. When trading ideas, strong motivating thoughts and positive words come to you, write them out, and then keep them safe, in a journal, in a special place on your desk. Treat them meaningfully and you will be more likely

and decision making skills decline. Here is the cool part. Just like our brains and bodies are connected through motion, so is our eyesight. We can actually reduce the stress of focus by moving our eyes from a vision of focus, to one of panoramic vision. The difference is similar to looking at something at close distance, versus going outside and looking at a wide expanse. We can fabricate this even when inside by simply un-focusing our eyes to the kind of vision we would use outside, even right at the computer. This can decrease the stress load and allow us to physically zoom out.

to believe them and act on them. Treat them haphazardly and you will be more likely to dismiss them.

Someone once said "we know more about the dark side of the moon than we do our brains". This is likely true. The brain is so massively complex with the human condition, and yet what we do know is how massively interconnected it is to the entire body. By focusing on and exploiting the vast mind-body connection, we can use seemingly simple tools to decrease stress, improve mental clarity, and improve our overall mindset.

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