



TAYB 002 - Developing Situational Awareness - The Mental Skill of Trading Discipline

Steve: [00:00] Hello, I'm Steve Ward and welcome to Trade at Your Best. In these podcasts I'll be drawing on research and practice from the fields of psychology, physiology, neuroscience and peak performance combined with my own experience of working with thousands of traders at institutions across the globe to provide you with knowledge, insights and practical strategies that I hope will help you to trade at your best and achieve your trading potential.

[00:37] In this episode I'm going to be talking about situational awareness, explaining what it is, why it's important to your trading decision making and performance and showing you how you can train it and develop it. Situational awareness is a term often used in the military, which means an awareness of three things yourself, others and the environment, and it's a key to making good decisions and performing well under conditions of risk and ambiguity in dynamic, high stakes, high-pressure environments and this is obviously the nature of the trading domain.

[01:17] Daniel Goleman, who's the author of the book focus calls the same process triple focus so he's kind of labels are inner, outer and other and it's interesting because he makes a very strong linkage between triple focus and the ability to perform at high levels.

[01:40] Situational awareness is about having at its core a present moment awareness of what's happening within you and around you so it's internal and it's external. In trading terms, this means that you're aware of what's happening within you so your thoughts, your emotions, sensations in the body, impulses and urges and also what's happening around you so primarily within the markets although it could also be obviously on the desk and on the trading floor. It's long been known that self-awareness is a fundamental key to high performance and if you're not aware of something you can't manage it. It's really as simple as that.

[02:24] You can't manage an emotion if you're not aware you are having that emotion. You can't manage your thinking if you're not aware of the thoughts you're having as you're having them, and again you can't manage an urge or an impulse if you're not aware you are having that urge or impulse. However, a challenge has been historically, how do we train self-awareness and typically self-awareness training has been reflective, so maybe it's been journaling or it's been what we might call a critical awareness, so through discussion and feedback with others. Both of those are good and I encourage you to practice both, but it's

not always as helpful at developing that present moment here and now awareness that's needed for a situational awareness and also actually is needed for self-regulation the ability to manage your own responses.

[03:17] Present moment self-awareness is absolutely required if you want to be able to self regulate to manage your experience and for me, this is the mental skill of what we would probably call in trading, discipline. So discipline at a brain level or self-control requires the ability to firstly notice what's happening while it's actually happening. Then you need to be able to inhibit or to stop that automatic action or reaction and then you need to be able to have the flexibility to choose a more helpful response.

[04:00] Studies in neuroscience have demonstrated that this notice inhibits, choose skill can be developed through mindfulness training and Dan Siegel refers to it as the ability to pause before you react. It's about essentially creating some space between stimulus and response. Now mindfulness-based approaches are one way in which you can train your situational awareness and I've written about this actually in detail in my book *Trader Mind*, which focuses on using mindfulness-based approaches to improve trader performance, and I was lucky enough to actually spend some time training with colleagues who were utilizing mindfulness approaches with the military in the US in what they called mind fitness training. And it was a combination really of two things at its core, situational awareness and then behavioural flexibility, the ability to adapt your behaviour to respond effectively to that changing environment, and interestingly, the mechanisms for both situational awareness and behavioural flexibility are both strengthened through mindfulness type practices.

[05:16] Taking time to train and develop your situation on awareness will help you to better be able to notice what's happening internally and externally while it's happening and more. So the research shows a number of additional benefits to investing time in this type of training, including a strengthening of attention and focus. A lower level of stress reactivity, increased the ability to manage emotions, being better able to manage your thoughts, lower levels of impulsivity, a reduced proneness to behavioural biases such as loss of version and an enhanced immune system function.

[06:00] So there's a lot of additional benefits to mindfulness type practice outside of just developing that situation of awareness and for traders who are often very tight for time and time-crunched, there's a lot of bang for buck that can be gained by investing some time in that sort of practice. How much time is often the question I get asked unsurprisingly, and what's interesting about mindfulness-based approaches is A, that they are very simple to learn. They're pretty accessible in terms of forms of awareness and attention training and they can be done in doses from just a few seconds upwards to as many minutes as you really would like to dedicate.

[06:43] Now a lot of practices, and this is certainly true if you look around on the web, you will see will fall in somewhere between the ten and twenty-minute range. I was reading some research recently that was suggesting that the MED, the minimum effective dose, is around about eight to twelve minutes per day. And of course, you can combine some longer practices with some shorter, less form of practice may be in the region of just one to five minutes. The key is that situational awareness is a skill and you develop it through practice, so there is a dose-response in the more you practice obviously the better you get at the skill.

[07:28] So the core of mindfulness and the core of situational awareness is about noticing what's happening while it's happening. It's about paying attention on purpose to the present moment. A very simple way to begin to practice this to be able to contact the present moment and this is also a very popular mindfulness technique, is to pay attention to your breathing, and the breath is a good anchor because the breath is only ever happening in this moment. So just noticing the flow of breath in and out perhaps bringing an awareness to the physical sensations of breathing in the body brings you into the present moment, and then the mindfulness practice would be whilst aiming to keep the focus on the breath being aware if your mind gets distracted and noticing but not judging, just simply acknowledging that and then refocusing back onto the breath.

[08:31] And that very simple I guess three-part process you know anchoring attention in the breath, noticing if you get distracted, being able to refocus are the simple mechanics of some of the core mindfulness practices, the ones that are kind of focused around what we call focused attention training, but also other ways that you can train that situational awareness. So what I'd like to do really just to finish today's episode is just do a very quick short situational awareness, mindfulness of breath practice just for a minute or so.

[09:06] So just take a moment to get into a relaxed, but alert and comfortable position. Closing your eyes if it's comfortable to do so and helpful and just as best as you can just bring your focus to your breathing. Maybe just taking one or two deeper breaths just to become aware of the sensations of breathing in the body. Just following the in-breath and the out-breath as best you can and if at any stage you notice the mind gets distracted, perfectly normal, just acknowledge what distracted you and refocus back onto breathing.

[10:04] There's no need to breathe in any particular way just allowing the breath to breathe itself and just observing, just noticing. Just bring in full attention to this breath and to this breath, and then just bring in that short practice to an end and just refocusing back into wherever you are right now and I just really wanted to give you just that little taster of I guess the basic process of mindfulness. Obviously, a one minute dose won't do much in terms of developing the skill, but it will give you a flavor as to kind of what it's like. The longer you practice for obviously the more challenging it's going to become.

[11:14] What I do want to stress is that this mindfulness skill, this situational awareness really for me is at the core of being able to be disciplined, to have self-control, to have the focus required to perform at the highest levels and it is a trainable skill, and I think that's the beauty of mindfulness and meditation and attention training practices is they are the skills that you can practice should you wish to develop those skills. And it always reminds me of, I was reading in one of the market wizards books and there's this great quote I think from Tom Basso where he talks about when he's trading really well, there is a Tom Basso in the corner of the room watching the Tom Basso at the trading screen. And it kind of really for me sums up the idea of being in the observer self, so there's a you, I'm having a thought and there's a you that's noticing the you having the thought. There's a you having an emotion and then there's the observer self noticing you're having the emotion.

[12:14] There's a you having an urge or an impulse and there's an observer you noticing that you having that urge or impulse and being able to experience things from that perspective can be really, really, really powerful and I think it's that skill develop which gives you that situational awareness noticing what's going on internally and externally and combined with that behavioural flexibility to be able to respond and I use the word respond in terms of choice of effective action, and I think those two things together are massively powerful for improving decision-making and performance.

[12:55] The focus of these podcasts is to help you to improve your trading performance to become a better trader, to move closer to achieving your trading potential. Improving performance requires taking action so I'd like to invite you to take a few moments to reflect on the contents of this podcast episode, to think about what was interesting for you. What resonated and caught your attention and to consider how you might apply it within your own trading.

[13:30] Thank you for listening to this episode of Trade At Your Best. I hope you enjoyed it and found it useful. If you've got any questions or feedback about this episode or suggestions for future ones, then please get in touch through the podcast page, www.tradeatyourbest.com. This is also where you can find any links or resources mentioned in or related to this episode, and if you'd like to find out more about me and the work I do helping my trading, investing and banking clients to perform at their best, then please visit the Performance Edge Consulting website, www.performanceedgeconsulting.co.uk.