



TAYB 004 – Getting Comfortable With The Uncomfortable

[00:08] 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 we're going to take a look at what I feel is one of the core psychological challenges facing traders and probably underpins many of the common mental and emotional challenges that traders experience and talk about in terms of their trading behaviour. That is the challenge of doing what you know is the right thing in the long term but probably feels uncomfortable versus doing what feels good and comfortable in the short term. And I want to kind of explore that a little bit and look at the impact on trading behaviour and then give you a couple of tips to help you with being able to, I guess more easily deal with the discomfort that trading can often bring. And at the same time as your experience and the discomfort, be able to take the most effective trading action when it matters.

[01:36] Loss aversion, ambiguity, aversion, mistake aversion, regret aversion, the aversion to being wrong. All of these are aversions and they're all linked to trading behaviours that if done often will definitely reduce your returns from the market. And they're all aversions because we're avoiding something. What are we avoiding? Discomfort. So in many trading situations, there's a payoff between seeking comfort in the short term and consequences often negative in the long term. So if we look at loss aversion, the tendency of traders to seek to avoid losses. What's happening there? In the short term when you're avoiding losing money, you feel better. So it's far more comfortable in the short term. But the risk is that in the long term you might incur bigger losses. So even if you know the right thing to do is to take the loss in the short term as your nervous system activates and as the stress response kicks in and as it becomes more uncomfortable, there's a drive to seek comfort in the short term to not take the loss even though another part of you knows in the long term that may not be the best payoff. Not holding onto winning trades. Not getting back into the market after a trading loss even when a great trading opportunity arises, over trading through boredom. These are all typical examples of where we are seeking short term comfort over doing the right thing in the long term and it's all about avoidance, it's all about aversion and I think these are a key driver of behaviour which for many traders reduces their P and L.

[03:32] So, we've got this part of us, which is obviously comfort seeking and that's primarily, I guess in the brain. We're talking around the emotional centers, their limbic system kind of really driving that short term, doing two things actually. One is making us feel better through avoiding pain and also in that short term that part of the brain might be driving a need for us to, to feel good by getting pleasure. So sometimes, you know, taking profit early can have a similar mechanism in the short term we're getting that feel good, which is also comforting over the longer term payoff of holding onto that trade. So, we've got this kind of short term, long term kind of balancing going on. We, particularly if we're under stress the short term bias and this is true for high emotions, that's going to come through even more strongly as it kind of becomes amplified.

[04:28] And at the same time we can't turn it all off. It is part of our human condition, but we need to be able to manage that. So the skill that I feel most successful traders end up developing probably through experience and trial and error and maybe utilising specific techniques, is that skill of being able to manage the discomfort in the short term. So in order to get the long term payoff to really, maximise returns from the markets and the long term, you have to learn how to work with, how to develop the ability to, to manage that discomfort. In the short term. There's a, there's a great quote, it's in New Market, Wizards from Bill Eckhardt and he says in there, he human tendency to select comfortable choices, will lead most to experience worse than random results. So I think it's a good thing to keep in mind. So, he skill to develop and I keep using that word skill in these podcasts because it is about mental skills, but the skill is to become more comfortable with discomfort.

[05:40] What I want to do is give you a few, I guess, strategies that you can play around with. Some you might find work for you better than others or you might lean towards some more than others just through choice. But I want to give you a few possibilities for being able to work with discomfort. But I a big piece of this is recognising that if we are not going to be avoiding some things, so if we want to move from a version where are we moving to? And in very simple terms I would say the word which would come to mind for me would be something like acceptance. So for example as opposed to having loss aversion, can we move towards loss acceptance as opposed to having ambiguity aversion can we move to ambiguity acceptance instead of regret aversion. Can we move to regret acceptance. And I don't mean acceptance in a resigned passive way, but I mean, allowing, kind of acknowledging and allowing these things happen. They are perfectly normal in most situations you're experiencing it so many other traders experienced the same thing, but you need to be able to reduce the impact that it has on you. There's a few things that you can do. I'll just kind of share with you, just a small number in this episode, but I think the first one as a mental strategy is accepting that discomfort is a part of trading and it is normal. And I'll give you a story really from a client I worked with about this. I was doing some work with this trading client. And we were talking a lot about this kind of, I guess the short term, long term play off in trading around discomfort. And we were doing the conversation, we were doing some work around it and then he suddenly said to me, "Oh Steve, so what you're really saying is that discomfort is okay." And it really, I guess this is obviously when you're doing this work all the

time, you don't think about things like this, but it really struck me that he had this insight and this is, a skillful and experienced trader with a large number of years of trading behind him, suddenly having that insight, that discomfort, is normal and okay. And I think it sounds quite simplistic, but I think having, and it's been a massive breakthrough for him by the way. So this has been big for him in his trading. But I think once we start to recognise there are going to be times in trading when you are maybe having to take a loss when you're running a winning trade, when you are getting back into the market during a challenging time.

[08:23] But there are going to be times for sure when discomfort is going to show up because that is the normal response to the situation you're in. And then it's having the skills and ability to manage that when it's there. But if you think that discomfort is bad, then when it shows up, what it does is it magnifies the intensity of the discomfort. So it kind of shows up in sensations in the body. You label discomfort, negative. And interestingly, what me, what it really does is it amplifies the aversion so it becomes stronger if we see discomfort as being normal in that situation, then it actually has a reduction effect on kind of our experience of it. So the discomfort is still there, but our perception of whether that discomfort is kind of negative or whether it's normal has a big impact on how it affects our trading behaviour. So you know, just that strategy of mentally accepting that discomfort is a part of trading and is normal alone can be really powerful.

[09:31] Secondly, exposure. What do I mean for that? What I mean here is this, how do you get good at dealing with things that are difficult? Anything that's difficult, you get good at dealing with it through practice. And so there are skills and there are strategies that we develop to get good at dealing with things in our experience, but you only really get good at dealing with things when you have to deal with them. So when it comes to discomfort in trading, it's going to happen. It's going to be a part of the experience. But actually it's also good because the exposure to those challenging times, the exposure to losses, the exposure to winning trades, the exposure to volatility, to uncertainty, to regret, whatever it might be. The only way that you're going to get good at dealing with those situations is when you are in them.

[10:26] So every single time it's uncomfortable for you. One thing you can start to recognise is, this is an opportunity for me to practice getting good at dealing with discomfort. What we're doing really here, there's a bit of a mental flip here going away from seeing discomfort as a threat, to seeing discomfort as an opportunity to practice the skills of dealing with discomfort. So I think that's powerful in itself, but also recognise physiologically, when you are exposed to things that are uncomfortable, the body can adapt so it can become more tolerant to that discomfort. So if you think about working out, think about exercising, let's say it's running and you decide you're going to start running to, you know, kind of get healthy and fit and there's a stress response in the body. When you start running, you know your physiology is activated, you can feel it and if you run hard enough, it's uncomfortable. But what happens if you keep running? What happens is the body starts to adapt to that physiological stress such that after a few days, even a few weeks, it's really gonna feel different. If you run at the same speed and on the same course each day, there's going to

come a time when your body's going to find that far easier and far more comfortable than it was at the beginning.

[11:46] This is really, I guess the physiology of exposures. Once you're exposing the body to the stressful situations, and that's really what discomfort is. It's these physical sensations in the body. But the exposure to that begins to reduce the sensations that you experience. So the body gets used to it, it comes more tolerant, it becomes easier. And this is where I think for the older, more experienced traders, this is what we see happening. And there was a great study. It was done by it by [12:16 Unclear] I can't remember the year, but a few years back with FX traders. And they were looking at the stress response as the traders traded volatile markets. And what they found was in two different groups: novice traders and more experienced traders, there was a stress response in both traders to increased volatility in the FX markets.

[12:41] But the stress response was markedly lower in the experienced traders compared to the novice traders who had a higher stress response and that's a great example really of exposure. So years of trading those markets, years of exposure to volatility had dampened the response in the body of the experienced traders. So you know, again, if you avoid all things that are uncomfortable, you can't practice the skills and you can't build that kind of tolerance to dampen that response over time. So actually you want to be welcoming discomfort because you're going to get the exposure effect. You're going to be able to practice the skills. Again, this is a reframe. It's a mental shift, discomfort as an opportunity, not as a threat.

[13:30] The third element I think is really important around getting comfortable with the uncomfortable, is developing the psychological skills that you need to be able to manage difficult thoughts to be able to manage difficult emotions. And, what I mean here actually, and this is, this is quite key, is not even having to control them, not having to suppress them or get rid of them. Because when you get into I guess what we call the control agenda, or when you try to suppress a thought or suppress emotion, essentially what you're doing is it strengthens this kind of aversion agenda. If we kind of label this thought as negative, then we can create an aversion to that type of thought. We want to get rid of it. If I label an emotion as negative, then I can create an aversion to it because it's negative.

[14:23] So once we start to label thinking or emotions as negative or bad immediately we're setting up a psychological agenda of aversion, and that's again, as we've talked about earlier, going to be unhelpful. But what's the alternative? The alternative is to be able to open up to them, to allow them to be there whilst at the same time focusing your attention on and committing to doing what matters most behaviourally according to your trading process. And this is really about the ability to take effective action whilst experiencing difficult thoughts, emotions or urges. And it's what is often known as poise. And that for me is a key psychological skill required for high performance trading because there are many, many, potentially uncomfortable situations that arise in trading. And if you're day trading, this could be on a daily basis, multiple times. If you're a longer term investor, it's going to show up less often.

[15:42] It's going to show up when you're losing money, it's going to show up. When you make a mistake, these things can show up. When you feel that you're wrong, it can show up. So when that difficult internal stuff is showing up for you, it's often because the nature of trading and it's the nature of the human condition. And you know, again, if you can take that mental embracing, accepting of discomfort, that can be useful. If you can in that moment see it as an opportunity to practice the skills of dealing with discomfort being poised. That can be helpful. If you can remind yourself that as you get through this uncomfortable situation, your physiology is adapting so that you will be less uncomfortable in a similar situation in the future. That is helpful. And if you can just open up a little bit and just, you know, recognise, allow those emotions and thoughts to be there as they are in that moment without the need to get rid of them. Then again that can be, really helpful. But I think the overall goal to kind of sum up is just recognising that every time it's uncomfortable, is a chance for you to practice getting comfortable with the uncomfortable.

[17:06] 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.

[17:42] 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 in banking clients to perform at their best, then please visit the Performance Edge Consulting website, www