**The Talking Trading Podcast**

Did you know that Louise Bedford and Chris Tate run their own Talking Trading podcast? It features expert trading information and interviews to fuel your profits, squash your fears and drive you towards exceptional trading habits. Get an edge in the markets to propel you towards the success you deserve.

**This transcript is from the following episode of Talking Trading:**

<https://talkingtrading.com.au/panic-to-profit>/

**From Panic to Profit**

*Note that this transcript was AI generated, so it is likely there will be some minor alterations in tone and content. Thanks for your patience in this matter.*

I'm Louise Bedford, your host of the Talking Trading Podcast.

This is how traders excel. Nobody performs better under pressure. The reality is that pressure diminishes our judgment, decision making, and attention. But there are things you can do to diminish its effects on your performance. If you can pre plan how you'll respond to the pressure of being a trader, you're more likely to excel.

And that is why I've asked Dr. Hank Weisinger from HWeisingerphd.com to talk with me about this topic. Dr. Hank is a psychologist, consultant, and two time New York Times bestselling author.

Focusing on emotional intelligence, his methods are uniquely specific and practical and can help you regulate your emotions as a trader. His book *Performing Under Pressure the Science of Doing Your Best When It Matters Most* is a must read for traders. Welcome Dr. Hank.

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Thank you, and I'm happy to be here.

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Dr. Hank, when pressure is too intense, traders make serious mistakes. You've mentioned that there are four pressure dynamics that influence the intensity of whether someone feels like they're under pressure. Tell me about those four dynamics.

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In your introduction, you made the key point that nobody does better under pressure because it impacts our cognitive capabilities and our decisions. And I want people to think of pressure as a force that they feel that they have to, just like a soccer player feels when they're kicking a penalty cup in the World Cup, they have to make the kick and traders right off the bat, most likely every morning. I've known many go into their office thinking, I have to be successful.

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I have to make money. And ironically, that is an attitude that will work against them. Now, when we look at the components of pressure and let me just define what we mean by pressure, think of it as a situation that is important to you, such as making a trade where the outcome is uncertain, but the outcome is also dependent on your performance. I E did you make a good trade or did you make a bad trade?

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Now, when you break that down, we can see that there are four components and everybody listening. Like, think of the most recent trade that you've made so you can start to measure yourself on these criteria. The first is importance. The more important you make something, whether it is giving a presentation to clients, whether it is making a trade, whether it is playing golf, the more important you make something, the more pressure you will experience, and ironically, you will do worse.

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The irony is when you tell somebody this is really important, parents are always telling their kids, this is really important, thinking they're helping them, but they're actually making it worse. The second element component is uncertainty. The more uncertain you are, the more anxiety you will experience. Remember, synonym for anxiety is uncertainty. If you were making a trade and let's say the hypothetical situation you had inside information that this was 100% guaranteed, you would absolutely feel no pressure because there would be no uncertainty.

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If I'm watching a soccer game, as I did in the World Cup, and my team is down by four goals with 1 minute left, I can turn off the game. If it's one goal or a tie penalty situation, then I'm on the edge of my seat because the uncertainty is at its highest. So the more uncertain you feel about something, the more pressure you feel. Think of it in terms of relationship. When one partner is being pressured to get married, the person will feel more pressure, the more uncertain they are. This is the love of their life.

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There is absolutely no pressure at all because there's no uncertainty. The third is how much you fear the consequences. So I was always one of those type of people. When I was a student, I didn't have to be the best. I just didn't want to fail. That was the pressure for me. Some people, what's more important, people should be asking themselves, winning or not losing. For me, not losing was more important.

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Winning is harder. Winning is more pressure. If I'm a trader and I'm making a lot of money, I don't have to be number one. I just don't want to be the lowest because then I might have to get a different type of job. So the more you fear the consequences, the more pressure you will experience. And finally, one that is very important for traders because they're trading on somebody else's buck is how much responsibility you feel.

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The more responsibility you feel, the more pressure you will experience. Now, unfortunately, we see this play out in all of our societies with students with grades, because they feel tremendous pressure. They feel that, what will I tell my parents if I don't get the best grade and so on. What do I tell my parents if I don't make first string in tennis or if I don't make the soccer team? So the idea, if you want to call it pressure dynamics, just like there were different metrics in the market that you look at, there are different metrics in terms of pressure, we have these different dynamics. So the idea is I'll use my kids when they were taking a test.

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I would want to minimize those factors. It's counter conventional. But if I was a trader and then we have to talk about emotions because there is a particular aspect of emotions that can really be detrimental to traders. Very similar to athletes. So that's how I think of it.

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It is very similar to athletes. A lot of the high performance endeavours share these similarities. Absolutely. So just to recap, so we've got these four pressure dynamics of the relative importance, the uncertainty, the consequences, and the responsibility. So to pick up on something you said earlier, the traders that are listening to this are usually trading their own money. So the responsibility is actually to their household, which is quite an interesting dynamic as well, because they're answering not only to themselves, but also often to their spouse and to their children.

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Exactly. And that also, if something goes south, can cause the person to experience depression, sometimes anxiety and guilt for many reasons. All that are totally useless emotions. And I will talk about how to get around that as well, because nobody.

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Can perform optimally when they're experiencing depression, dejection or disappointment. So what should traders do if they find themselves in the grip of these emotions?

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Well, if the person is really depressed, as I've learned from my top psychiatry friends, they go to a psychiatrist. The reality is the person isn't really depressed, they're just feeling down. Now, if you had, over the course of a year that your trades made, say, $5 billion, but in December, the last four lost 300 million, when you look at the big picture, should you be really happy or should you be depressed?

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We know that traders tend to value losses more highly than they value.

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Exactly. However, think of the psychology of that. That is a thinking style that can only get a person in trouble. That is the same as saying to a husband or a wife, only focus on the negatives of your relationship and forget all the positives. If I am a soccer player, whether I am in Germany, whether I am in Africa, whether I am in the UK, whether I am in America, and I have kicked goals in every game and then the last game, it would be crazy for me to think, oh, I let my team down, and so on. So one of the mistakes that traders make that give them a negative bias is they focus on the when they evaluate themselves, they focus on the immediate rather than the long term. So when you talk about responsibility, what their attitude should be, just like when I look at my portfolio, I could look at the last five days and you'd have to put me in a hospital, or I could look at the last six months and say, you know what?

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They're really doing a damn good job for me. And this is what I meant in terms of athletes. See, you have these four dynamics, and you have to create a mindset that I call the pressure reducing mindset. When you talk to elite athletes, it's the World Series. Their attitude, it sounds ridiculous, but I've spoken to many. Is it's just another game? Why would they do anything different? They've already proven the best.

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The idea of pressure is not to do better, it's not to do worse. You're not rising. If you and I are traders, and you were a ten times better math student than me, and you're just a smarter person, and we both do our best, you're going to do better than me every time. The only way I can do better than you is if you fold under pressure. And that happens to many people. So the idea is that every trade, even though when they make it the most important trade in the world, that's the mistake they're making.

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Because what that does is it intensifies their physiological arousal. Like, you know how you get butterflies? I want everybody to know that when they have an emotion you mentioned some, like, what do you do when you're depressed or anxious? That emotions have three components. Like, everybody should be saying, what emotion are you experiencing right now? Okay? Those are people who are listening, who are experiencing anxiety, are talking to themselves very differently than people who are experiencing frustration or happiness.

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And the same is true with their physiological level of arousal. And the same is what's the behavior you do when you are angry, I bet it's very different than the behavior that you do when you are happy.

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It's so true. And Traders do put an awful amount of pressure on each individual trade. Rather than just considering it as one data point among thousands of data points, they put themselves on alert. That arousal that you're talking about 24 hours a day, how can we down regulate that? What would your advice be for Traders?

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Okay, well, one thing I would tell them to do is they have to create an infrastructure to help themselves. So what they should do is take a three x five card and put that three X five card, whether it's taped on their computer or somewhere they can see it, as well as on the refrigerator at home. And that should give a message. They should write down, it's just another trade. They should also write not stay calm. Because what does that mean?

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Do you ever say stay calm? The person gets don't tell me to stay calm. So it should be breathe slower. Okay? Because if you're breathing slower, that will keep you calm. I have to tell you, when you see these movies about Wall Street and Traders and so on, the Boeings, did you ever notice the arousal level? They look like watching a bunch of maniacs. So true things and so on, where the real pro is just sitting at, oh, it's 09:00, I'm using the time here.

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And then they go about their business. Now, this is why it's also not good for their health. I will tell you, by the way, that studies have been done on Wall Street. People in the financial world are five times more likely to have bouts of clinical depression that's with financial advisors. But I wouldn't see why it would be different with Traders and so on. So it's really important in practicing a relaxation exercise. I know that might sound hokey, and the problem with Traders is everything with them, they're urgent, don't have enough time. I have to do this because the only thing they're thinking about is making the next trade. As Tony soprano would say they're always chasing it, and if they're behind, it's even worse because it just intensifies. So I would encourage all of them, and this will help their personal relationships with their partners too, to practice the 20 minutes of relaxation every day. It will help them because they'll develop a relaxation response. So in the heat of the moment, when everybody's going wild, they will be able to stay calm.

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And if you can stay calm, you can think more rationally. Also, another mistake that traders make is their competitive instinct gets out of hand. Remember, the competitive instinct was originally called the survival instinct. If there's only enough water for two people, they're not going to collaborate and be cooperative. That's the do or die. ESPN did not invent the phrase do or die. That's how it originally was for you talk back in early time.

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So when you get competitive, your arousal intensifies. And what intensive arousal does is it makes your thinking rigid. So you really can't consider all your options. That's when you hear like in the movies, and the person I panic and so on, that is the ultimate of being so aroused you can't think clearly. And that's where if they practice relaxation, they can calm themselves in the moment and regain control.

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Also, they get competitive with the other person. It creates what's called competitive arousal. I remember watching a soccer game a couple of years ago, and one of the superstars, all of a sudden he gets angry, he headbutts the other guy and he's thrown out of the game and so on. What was that all about? He was over aroused. He did something crazy. And when traders get competitive with each other, it becomes, what do I need to do to beat the other guy at all costs?

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And you do see that the thing that I really enjoy about your method is tying it to a behavior. Breathe slower is a specific behavior that we can non ambiguously follow in the heat of the moment. But it's also when traders feel confidence and optimism and enthusiasm and they get over the top with joy.

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The testosterone is increasing.

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Yes. And that can sometimes be a difficult situation.

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That is right. And that is why everybody makes a big deal about how important it is to be optimistic and so on.

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If it's realistic within reason. Exactly. And I've heard you say that when traders experience emotions, they need to look at the message of the emotion. Let's talk about that. Because I think regardless of whether you're experiencing lower emotions in terms of the depression, the anxiety type of emotions, or the higher emotions, the confidence and optimism, regardless, that message of the emotion is really key. And I love your take on this.

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Tell us more.

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Okay, first, let me just say, because that is a danger, you said when maybe you become overly optimistic and overly confident and a very good strategy. When they make a trade when you're really feeling good and so on, is to quantify by asking yourself what are the realistic chances that this is going to do this? 90% 80%, where you actually have to, because in the process of figuring out the percentage to yourself, you're clarifying and you are becoming more realistic. My father would say, How'd you do in the chem test? Great. Get an A. I don't know. I did great.

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It turned out I had a 5% chance. I passed the test. Once you started to quantify, it isn't just about managing emotions. It's about what do the emotions tell you about yourself and what to do. So for example, if a trader is angry at their manager, conventional wisdom many times is, all right, count to ten and then you calm down. Okay? But that's not all of it because anger is a cue that something is wrong.

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Now, sometimes what is wrong is in our head an irrational statement, he shouldn't have done this. And so we're putting our own should statements on and we have unrealistic expectations. But the only two times that people should really get angry in general is when there was an injustice or when they were abused. So in that sense, the only time a trader should really get angry at their manager using that as an example, or their house is when they didn't get the same information, say that somebody else, because the boss liked that person better, or their percentages were yada yada and so on. So that would be like an injustice.

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And if I had a house that was always belittling me, even though I look and I say, yeah, but I'm one of the stars here, but they're always yelling me, and I would keep getting angry. To use that anger productively, I'd have to have a conversation and assert myself.

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So identify it first and then find out what's behind that emotion.

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That's right. So you can have it. See, anytime person gets angry, the anger athlete, as I would like to call them, will say, what's the best thing for me to do? So a person goes off their diet, now they get angry at themselves. What's the best thing to do? Well, not to yell at yourself. Make sure the next thing you put in your mouth is healthy. You miss a plane, what's the best thing to do? I remember I was at an airport and the plane I was a minute late and I said, Open up, I'm here so I can't do it. I said, If I was the president, you would not the president.

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And the lady finally said, look, no matter what you say, we're not opening. Do you think it's better for you to stay here or run like hell to gate six and catch the next flight?

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What's your next action? Focus on the next action. And you've also mentioned to me that emotions are represented by three components cognition. So the way we're thinking about it, physical arousal, what's happening in our body, and actions. Tell me more about this and how we can get these emotions working together for us.

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Okay, good question. Because they all influence each other. So people should visualize them like a triangle with arrows going in each direction. And then in the middle is the content of the emotion, which could be anger, anxiety, depression, enthusiasm, and so on. So during the next week, just as a little simple fun exercise, I want everybody, every time you experience an emotion, start to pay attention to those.

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And what you'll start to see is you're all different with all of those emotions. How you're feeling physically when you are enthused, you will know it is very different than when you are anxious. But you're also telling yourself different things. Let's start talking to yourself so you can be enthused. Traders, as you wake up in the morning, what's the first thing you say to yourself? Oh, man, this is going to be another day.

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Inflation is out of control. There's nothing good, I'm going to lose money. Or the trader who wakes up saying, hey, I don't care how the economy is, I'm going to make some great trades today and make money now, even if their results are the same, who had a better emotional landscape. Therefore, and I know this sounds ridiculous, but this is what you need to do, because remember, how you talk to yourself is habitual.

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I laugh when I used to hear a manager say or a parent, how many times have I told you this? They don't get it. Maybe you need to say it a different way. You've been saying it 500 times the same way. Because we get a hardening of our corollaries. Our thoughts are habitual. You go into a Chinese restaurant, or at least me, you order the same thing even without looking at the menu, and we become stuck. So you need help in getting unstuck from your thoughts. So again, take a three five five card.

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Write down what are three things that if you say these things to yourself, it's going to put you in a good mood. So now when you're in a good mood, you automatically become productive. But you have to have that card, otherwise the old thoughts will come back. Every time you get into an argument with your partner, it's like the initial the first five sentences are always the same.

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I like that. That's a perfect try this at home tip. Write down three things that can put you into a particular state of mind. So that is a wonderful try this at home tip. I want to talk about criticism as the final topic here. You've also written a book on criticism, which I am very aware of, but it can be very hard to take criticism. You have to admit to yourself, your spouse, your partner, your trading buddy that you've made a mistake, perhaps.

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What's your advice about criticism for us.

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To do the opposite of what you just said. For example, fill out the sentence. Now, this is what I would do in a room. You get 50 people. I go around, all right, everybody fill out the sentence. First thing you say when I'm criticized, I feel what do you answer?

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So, for me, when I'm criticized, I feel like I shrink.

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Okay, so what does that tell you about how you think about criticism? Other people will say, I feel hurt, put down angry. If you're telling me that you feel, like, small or bad, what does that tell you about how you think of criticism? It's a positive or a negative?

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Usually it's a negative. I've had time to process it once. I've had time to process it. If I don't answer back straight away, which is obviously something that everybody's working on, not to be reactive, then I look for the essence of truth, and then often I will find it is a positive.

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Okay, that is a great you just illustrated a model response for a technique of how to take criticism, because most people think of criticism as a negative. This is why people use the bogus word of feedback. Feedback is a process. I don't think there are any courses at Oxford or Cambridge on literary feedback, are there? And there are no theater feedbackers. There are no restaurant feedbackers. Aristotle invented the word critique us to discern, to judge accordingly. Plato and Aristotle added the concept criteria.

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The great Henry James actually wrote a book called The Art of Criticism. So what happened back in the 60s this is before your time. And the encounter groups and the human potential movement, we have to be sensitive now. We have feedback. Everybody in the group give each other, quote, feedback because they didn't want to use the word criticism. Criticism is simply evaluation. So when I say to you, Criticize my trade.

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Your job is to evaluate the trade and then communicate your evaluation to me in a way that can help me. Now, what you see? So when I criticize you, a great response is, you know what? I need to think about it. And as you said, then you're thinking about it, but you still have to appraise it. And I want people to think about, how do you decide if criticism is in your best interest or not? When somebody criticizes me, I used to get really defensive. Like, I would write book proposals and send it to my friends, and I would think this is the greatest thing they've ever read.

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And then no matter what they said, I would feel hurt and whatever. And then, like, you these are some really good points. Hey, they're telling me how to make this better. So anytime somebody is criticized, I want them to think, information that can help me better. If your criticism is making a better trader, please, I'll listen all day.

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Yeah, because you see the gift.

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And when you give criticism, I want you to think of you have a task. And what is that task? To teach appropriate skills and knowledge. Every time you criticize something, am I teaching them something? Is it appropriate? But I want to be criticized in this situation. What are the skills? What is the knowledge? If I'm going to criticize somebody because I heard the way that they spoke to somebody, instead of just I want to say, next time you have a phone call, you might be able to say this or this.

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And they're all factors that influence the process of getting you to be receptive to my information from exaggerating my credibility, my source, putting in appropriate incentives. Certainly it's not going to motivate you if you're one of my traders and I say, listen, I really want you to do better because I really want to buy a house on the shore. What's in it for the other person? When you give them criticism, always think, how can I communicate this? So the person will be receptive.

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And always think, information that can help me grow. Make yourself receptive first. Then you can decide if it's in your best interest.

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Dr. Hank Weisinger from HWeisingerphd.com. The things that I've especially enjoyed about our conversation is those four pressure dynamics, how to minimize the pressure of importance, uncertainty, consequences, and responsibility, and to put practical trading advice such as breathe slower, which is actionable instantly to improve our performance. Now, Dr. Hank, how can people find out more about you?

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Well, they can go to my website, as you mentioned. And you know what? There are also a lot of podcasts done also on different topics. In other words, you don't have to buy a book. People can get the same information for free. A lot of leaked in articles I wrote on these subjects and so on.

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Thank you so much for your generosity. I have loved our chat. Good on you, Dr. Hank.

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Thanks for having me. I had a good time.