

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/rocky-as-hell/>

Is Trading Gambling?

Interview with Creed Moor and Louise Bedford

on <https://www.talkingtrading.com.au/>

Section Overview: Creed Moor and Louise Bedford discuss the impact of cognitive bias on traders during times of market volatility.

Ways to Mitigate Noise Affecting Trading

- 00:54 Traders need to mitigate cognitive biases that affect their mental game.
- 01:18 Relying on hard data is important for objectivity in decision making.
- 01:37 Information aversion can occur when traders check their portfolio too often or ignore poorly performing portfolios.

Volatility Bias

- 02:02 Traders tend to say markets are volatile overall, but it depends on the trader's experience and the market they're in.
- 02:25 Group hysteria among traders feeds into fear and affects decision making.
- 02:45 Breaking down facts and data is necessary to avoid tapping into fight-flight-freeze neurological responses.

Self-Awareness Among Traders

- 04:33 Machines work well because they don't get angry or flustered like humans do.

- 05:11 In the beginning, self-awareness may be lacking among traders as they go through an evolution.

05:51 The Evolution of Traders and the Limbic System

Section Overview: In this section, the speaker discusses the importance of looking at one's own evolution as a trader and the evolution of traders around them. They also introduce a neurological concept called the limbic system, which is related to the emotional responses in trading.

The Limbic System and Old Brain vs New Brain

- 06:14 The limbic system is your deep brain, wrapped around that is the new brain.
- 06:38 The old brain has no logical structure and is instant reactions while the new brain can think logically and create strategic roadmaps.
- 07:03 As traders, we need to get both brains communicating with each other.

07:51 Journaling for Traders

Section Overview: In this section, the speaker talks about journaling for traders and how it can help access our subconscious mind.

Trading Diary vs Morning Journal

- 09:32 A trading diary analyses trades to learn from specific trades by answering two questions: what did I do well? What would I do differently?
- 09:56 A morning journal aims to keep pen moving to access our subconscious mind.
- 10:20 Encourages everyone to keep a morning journal and write dates on top of every page.

08:53 Emotions in Trading

Section Overview: In this section, the speaker discusses emotions in trading and how they can affect traders' decision-making processes.

Sizing Up/Down & Emotions

- 08:31 Some high-profile traders become angry within their trading due to emotions seeping into it because they sized up too much or down not enough.
- No more bullet points available.

11:47 Physical vs Digital Journaling

Section Overview: In this section, the speaker discusses their preference for physical journaling and the importance of aesthetics in journaling. They also mention the benefits of having prompts to get started with writing.

Importance of Aesthetics

- 12:10 The speaker prefers high-quality, hard-backed journals that are beautiful objects.
- 14:42 Aesthetics are important in journaling and can help motivate writers.

Prompts for Writing

- 12:30 Steve Ward's Traders Journal is a great example of using prompts to get started with writing.
- 13:14 It's important not to judge what comes out onto the paper and to develop your own style.

13:37 Discipline and Self-Control in Trading

Section Overview: In this section, the speaker emphasizes the importance of discipline and self-control in trading. They discuss how traders who develop discipline in one area often apply it to other areas as well.

Importance of Discipline

- 14:00 Discipline is key in maintaining success as a trader or professional.
- 14:22 Traders who develop discipline in one area often apply it to other areas as well.

Proximity of Risk Study

- 15:11 Study on proximity found that people with high levels of self-awareness perceived risks as further away than those with low self-awareness.
- 16:22 Developing psychological fitness can help traders assess risks objectively.

Habits Under Pressure Study

- 17:03 Wendy Wood's study found that under pressure, people resort to habits they have formed earlier, whether good or bad.

17:53 Cultivating Good Habits Under Trading Pressure

Section Overview: In this section, the speaker discusses the importance of cultivating good habits and harnessing autopilot repetition with rewards to cement those habits. The speaker also talks about how people tend to resort to certain habits when under pressure and shares his own experience of breaking a trading rule while stressed.

Importance of Cultivating Good Habits

- 17:53 It is important to work out the habits we want to cultivate and harness autopilot repetition with rewards.
- 18:16 People tend to resort to certain habits when under pressure, such as food, movement, or sleep.
- 21:34 Becoming aware of our actions under pressure can help us choose in the good times what we should focus on when we are under pressure.

Speaker's Experience Breaking a Trading Rule While Stressed

- 19:05 The speaker's bad habit was drinking more coffee overall and going into self-reflection mode when things went wrong.
- 19:49 The speaker broke one of his trading rules while stressed and took a 40K loss in the middle of the night.
- 20:06 To mitigate future difficulties, the speaker put himself on restriction metrics that allow him to think before acting.

21:56 Using Pre-Mortem Method for Accountability

Section Overview: In this section, the speaker introduces the pre-mortem method as a way to imagine oneself one year since a project has been completed. This method helps identify potential problems that may arise during a project and allows for accountability.

Introduction to Pre-Mortem Method

- 21:56 The pre-mortem method involves imagining oneself one year since a project has been completed.
- 22:15 The method helps identify potential problems that may arise during a project and allows for accountability.

Speaker's Experience Using Pre-Mortem Method

- 22:39 The speaker used the pre-mortem method when starting his podcast, Talking Trading.
- 22:55 The speaker imagined an unmitigated disaster where Talking Trading failed and identified potential problems that could lead to such a failure.

23:28 Pre-Mortem and Thesis

Section Overview: In this section, the speaker discusses the importance of pre-mortems and shares a method for conducting one. They also talk about the importance of having a thesis when trading.

Conducting a Pre-Mortem

- Conducting a pre-mortem involves identifying potential pain points and weaknesses in your trading strategy.
- The speaker recommends imagining yourself one year in the future, having gone full-time as a trader, but experiencing devastating losses. Write down what led to that downfall.
- This method helps identify known unknowns that can occur while trading.
- Traders deal with many dynamics, including known unknowns (volatility), unknown unknowns (Black Swan events), and no knowns.
- The speaker's mentor suggested thinking of your trading history as your obituary. What would you want it to say? This gives you guard rails to build a thesis off of.

Having a Thesis

- A thesis is essential when trading. It should include where you will get in and out of trades, why you are getting in or out, what you are willing to risk, etc.
- The framework for a trade includes knowing where you will get in and out, why you are doing so, and what risks are involved.

27:05 Trading Behaviour

Section Overview: In this section, the speaker talks about how traders should behave and presents some questions to help them evaluate their behaviour.

Evaluating Your Behaviour

- Traders should always strive to be good examples for others who may be watching them trade.
- The speaker challenges traders to ask themselves if they would behave the same way if another trader was watching them take notes on their behaviour.
- Talking to oneself in the third person is emotionally healthy and can guide traders into action by helping them follow best practices.

29:16 Trading Plan Manifesto

Section Overview: In this section, the speaker talks about the importance of having a trading plan and treating it as a manifesto. The plan should include entry and exit points, position sizing, accounting structure, disaster recovery plan, and risk evaluation.

Importance of Having a Trading Plan

- A trading plan is like a manifesto that guides traders on how to live their lives.
- It should include entry and exit points, position sizing, accounting structure, disaster recovery plan, and risk evaluation.

- Traders must evaluate and measure how they will respond in the future to be prepared for any situation.

31:36 Self-Forgiveness in Trading

Section Overview: In this section, the speaker discusses self-forgiveness in trading. He believes that people forgive themselves too quickly which allows poor performance to become a habit. Traders must analyse their mistakes and sit with their pain to learn from them.

Importance of Self-Forgiveness

- People forgive themselves too quickly which allows poor performance to become a habit.
- Traders must analyse their mistakes and sit with their pain to learn from them.
- If traders do not allow pain to guide their future actions after making mistakes, they are destined to repeat the same cycles over and over again until they're completely broke.

34:38 Time Frame for Pursuing Day Trading

Section Overview: In this section, the speaker talks about setting a time frame for pursuing day trading. He suggests that if traders do not have risk management down by four to five years of pursuing day trading or have lost enough money by then, it may be time for them to give up on day trading.

Setting Time Frame for Pursuing Day Trading

- The speaker suggests setting four to five years as a time frame for pursuing day trading.
- This gives traders enough time to learn and delete things.
- If traders do not have risk management down by four to five years or have lost enough money by then, it may be time for them to give up on day trading.

35:18 Applying Self-Control to Trading

Section Overview: In this section, the speaker discusses how self-control can be applied to trading and shares an example of how to resist temptation.

Resisting Temptation

- 35:18 Traders can use data for their own purposes while still being science evidence-backed.
- 35:41 If a trader has lost 25% or more of their trading equity, they should stop entering new positions and seek higher trading authority.
- 36:06 It may take years to become successful in trading, but with time and good education, traders have an exceptional chance of learning from their own behaviours and working out who they are as a person and as a trader.

37:15 Perception of Charts in Trading

Section Overview: In this section, the speaker talks about the perception of charts in trading and warns against overcomplicating them.

Simplifying Charts

- 37:15 Becoming too complicated with developing too many indicators can bury share price action and volume.

- 37:52 Exceptional traders keep things simple by interpreting share price action again and again.
- 38:34 Traders should not deluge their trading plan with complexity. Instead, they should guard against it by keeping things simple.

39:42 Final Thoughts on Trading

- 39:42 The majority of what exceptional traders do is very simple. They do it again and again.
- 40:06 Conversations about trading are much like a book: watch once for enjoyment, twice to gather questions, and thrice to dig out answers to those questions.