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What is Mindfulness?

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Mindfulness is defined by one of the world's leading mindfulness researchers and practitioners, Jon Kabat-Zinn of the University of Massachusetts Medical School, as "*A way of paying attention: on purpose, in the present moment and non-judgementally to whatever arises in the field of your experience*".¹ Michael Chaskalson, in his book *The Mindful Workplace*,² defines it as "*A way of paying attention in the present moment, to yourself, others and the world around you*". In a very simple way, it is noticing what's happening, while it's happening. Mindfulness is a way of connecting to your present moment experience in an accepting way.

In trading, these definitions might translate behaviourally as trading in the moment, paying attention to what the market is doing right now and the environment around you, being aware of your own thoughts, emotions, physical sensations and any impulses or tendencies to act. You would be fully present and more aware of preconceived ideas or biases that could influence you, and you would probably be experiencing lower levels of anxiety as a result. You would be attentive and aware, responsive and engaged.

Mindfulness is the opposite of mindlessness, which can be defined as living on autopilot, governed by your past conditioning

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of thoughts, beliefs, emotional responses and behaviour. Whilst much of the time this process can be healthy and performance enhancing, within all of your automatic experiences there may also lie patterns of thinking, feeling and doing that are detrimental to your trading performance, ones that have been learnt in the past but are no longer useful.

The cultivation of mindfulness develops your ability to be present, to be aware of what is going on within you and around you, to notice the stream of moment-to-moment change and to develop greater choice, to act on purpose as opposed to being reactionary and dominated by mindless habits, patterns and reactivity.

Importantly, mindfulness is a skill – it can be learnt and developed. We all have an inherent ability to be mindful; however, with the ever-increasing pace of change in the world, the amount of instant stimulation and the level of information overload that our brains get exposed to, sometimes being mindful – whilst so simple in nature – can be extraordinarily difficult. Consider the requirements of the trading environment and its demands on your attention at any given time: prices flickering, P&L numbers moving, graphs and charts changing, news flowing from screens, squawks and televisions, the noise from other traders around you, phones, mobile phones, instant messenger... the list could go on, and the effect is that being able to be fully present, attending to the here and now, is, for many people, becoming more and more difficult.

The practice of mindfulness encompasses focusing your attention on your experience of thoughts, emotions, feelings and body sensations as they arise and pass, from moment to moment.

The Contact Points practice below is a great way to experience mindfulness.

Practice: Contact Points

- Find a comfortable, upright sitting position with your feet flat on the floor and your back slightly away from the back of the chair.
- You may choose to close your eyes or you may wish to keep them open, in which case, lower your gaze towards the floor.
- Focus your attention on to a physical sensation, the sensation of your body pressing down in contact with your chair, or the sensations in your feet as they contact the floor. Notice where the sensations are strongest, the feeling of sitting on the chair, or the contact of feet on the floor, and allow your attention to rest there.
- After a while you may find that your mind wanders. When you notice this, simply acknowledge where it has wandered to and bring your attention back to the contact point without judging or being critical. Minds wander, it is what they do.
- After a minute or two, let your eyes open and return your focus back to the room.

What was your experience like? Many people find that even in just a short time their mind wanders a number of times, to a number of different places, and often quite shortly after they begin.

This is probably a good point at which to switch our focus onto what mindfulness isn't. Despite all the potential benefits and upside to developing mindfulness skills to enhance your trading performance, there are still some people who remain a little wary of the idea, particularly when they think of it alongside the word "meditation". Here are some key points drawn from Mark Williams and Danny Penman's book *Mindfulness: A Practical Guide to Finding Peace in a Frantic World*.³

- Mindfulness is secular, and is not a religion. It is simply a form of mental training. To help frame it as such, the US Marines have named their mindfulness-based programme "Mind Fitness", as has a colleague of mine who delivers his programme in prisons, and as have I in my work with traders.

- Mindfulness practice is not a “soft” approach to mental training and will not deaden your mind or prevent you from striving towards achieving your trading goals. It will actually do the opposite, by training your mind, making it sharper and more effective and giving you a greater chance of achieving your goals.
- Mindfulness practice can be done seated, on buses or the train, while walking, and does not require any specific kind of clothing. You do not need to sit cross-legged in loose clothing or a kaftan, as seen in many magazines.
- Mindfulness is not complicated. It is a process, and there is no measure of success or failure in your practice of it. Even when your mindfulness practice feels difficult, you will find that you have gained something from it.
- Mindfulness practice does not have to take a lot of time, as you will see in Chapter 2. However, like learning any skill it does require some practice and perseverance if you are going to get the benefit.

Equanimity: Approaching and Acceptance vs. Avoidance and Aversion

One of the central and most important aspects of mindfulness-based approaches is accepting and approaching thoughts, emotions, impulses and behaviours rather than seeking to avoid them, or control them. This can, at first, seem a very counterintuitive approach, and for many an uncomfortable one, especially when you look at it in relation to more traditional psychological methodologies. However, as we shall see in later chapters, there is strong evidence that the suppression of thoughts and feelings is not a workable strategy and that being more open to them, accepting them and relating to them differently is far more effective.

Acceptance-based psychological approaches have been applied to performance populations including athletes and sports teams, and also to international chess players. In a study involving high-ranked chess players,⁴ participants showed significant reductions in the interference of general, “unpleasant” thoughts, feelings,

emotions and impulses during competitions as well as reductions in the frequency of their counterproductive reactions to these experiences as a result of learning strategies and techniques to accept and approach rather than avoid them. Also, as indicated by an objective chess performance measure, all participants in the experiment improved their performance during the 7 months after the protocol in comparison with the 7 months prior to it. In contrast, none of the control participants improved their chess performance.

Another study with a US college volleyball team found that after training in acceptance-based psychological skills, although their levels of performance anxiety remained similar pre- and post-study, they actually improved their performance quite significantly.⁵ It was not so much the feeling of anxiety that was interfering with their performance, but how they were reacting to that feeling.

This process of accepting something, such as your thoughts or feelings, without resistance is referred to as “equanimity”. In fact, in its wider sense, it refers to accepting things that you cannot control, to change what you can, but to let go of the struggle to change what you can’t. You cannot, for example, control the markets. It is important to stress here that acceptance is not a passive state of resignation, and does not mean that you stop trying to grow and develop as a trader. Rather, acceptance entails a willingness to see things as they actually are in the present – in that moment – to experience them as they are. In my own work I often use the word “approaching” when talking about acceptance, to highlight that it is not a passive process, and that it is also about moving towards what we are experiencing rather than away from it. This ability to *approach* experience, especially when it is viewed as *unpleasant*, is particularly important in dealing with the thoughts, emotions and sensations in the moment, but also in encouraging exposure to these *difficult events* and ultimately it produces an increase in resilience and toughness.

Take a moment to reflect on what you have done up to now in an attempt to overcome the challenges faced in your own trading.

What Have You Done So Far To Improve Your Trading Psychology?

What have you already tried to get rid of your negative thoughts, emotions and ill-disciplined trading behaviours?

What have you already tried to reduce the impact of behavioural biases on your trading decisions?

Did you succeed in permanently getting rid of them?

What has this cost you? Time, effort, money?

Has this brought you closer to where you want to be with your trading?

The notion of approaching, moving towards thoughts, emotions and experiences rather than seeking to control or avoid them can be likened to falling into quicksand. If you were to fall into quicksand what would your instinctive reaction be? To struggle and try to fight your way out. And what would happen then? You would start to sink faster. So what is the correct process for surviving quicksand? Try to lay yourself out flat on your back, and stay as still and as calm as possible. Completely counter-intuitive, just like letting go of the struggle to control or avoid emotions, thoughts and experiences. The current movement towards being open to our internal experience is echoed in the

following quote from Gardner and Moore in their book *The Psychology of Enhancing Human Performance*:⁶

Over the past several years an increasing body of literature has questioned the position that internal attempts to suppress or control unwanted thoughts or emotions have a paradoxical effect and may also lead to more frequent unwanted thoughts and emotions.

Acceptance keeps your focus on the task; there is no need to escape or control or avoid your internal experience. The struggle to be without distress is the problem, not the presence of these thoughts and emotions.

Impermanence

No man ever steps in the same river twice, for it's not the same river and he's not the same man.

Heraclitus

We like certainty. We like stability. We like to think that we can control things. But, because everything is always changing, that approach doesn't really work. In mindfulness a key principle is that of impermanence, that everything is in a constant state of change, and that nothing lasts forever. Your thoughts, emotions and physical sensations are constantly shifting and changing, a bit like the weather coming and going, and the markets are dynamic and shifting and changing from day to day.

One of the biggest challenges for traders is learning to cope with the uncertainty of the markets, when most humans naturally favour certainty. Uncertainty often brings a feeling of anxiety with it, and by being able to see the markets as impermanent, in accepting the uncertainty of their nature, you can bring a different perception – mindset – with you to the markets that will reduce these feelings of anxiety, and help you to navigate the fluctuating conditions more effectively.

Understanding this principle of impermanence is also very helpful in realising that, as Mark Douglas puts it in his book *Trading*

in the Zone,⁷ “every moment in the market is unique”. This principle has implications for our traditional sense of trading discipline, best summed up by the phrase “*have a plan, and trade the plan*”. Because the market is dynamic and shifting, preconceived plans may lose some validity and effectiveness once you have entered the market and are holding a position. Rigidly sticking to your trading plan once the conditions have changed would be like soldiers sticking to a mission plan despite receiving intelligence that the battle environment had changed, or a sports team sticking to a game plan that is not working. Holding on to the idea of impermanence can help you to be more flexible, to reduce the need to hang onto positions and plans despite the most effective action being to change them. This mindset is key to developing your judgement, your ability to make – in the moment – trading and investing decisions that reflect the current market environment.

Over the longer term the principle of impermanence becomes important because it is helpful to recognise that any winning or losing runs are impermanent, that any changes in the market are impermanent, that any changes to your performance are impermanent. Nothing stays the same forever. Life and the markets are uncertain, and by embracing that you can change your experience of them for the better.

Mindfulness in the Markets

Applying mindfulness in real time in the markets involves three key dimensions (Figure 1.1): a focus of attention on and awareness of the moment; an acceptance of and approach to your experience in that moment; and a focus on taking effective action for the situation you are in. These processes can be applied discretely in real time by actively applying specific techniques or strategies, or can come in a more natural form as a result of shifts to how you think, feel and behave that are the result of your formal mindfulness practice and the changes in your brain, and hence your performance, that it brings.

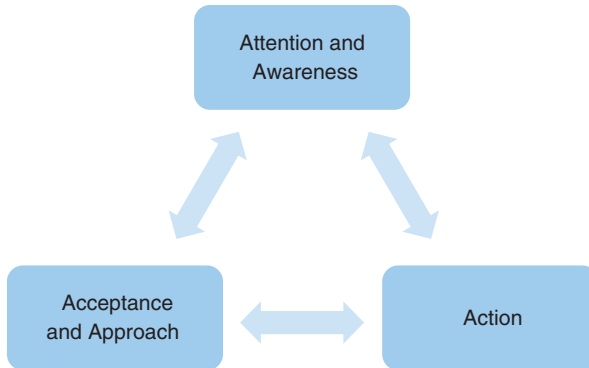


Figure 1.1 The three dimensions of applying mindfulness in the markets.

From Buddha to Boardroom to Battlefield – the Rise of Mindfulness

I first came across the term “mindfulness” when researching and reading on the topic of neuroscience and became increasingly aware of references to, and studies centred around, mindfulness. The more I read the more I became intrigued and curious, and eventually that curiosity took me to training in mindfulness for myself. When I began to learn and practise mindfulness for myself I was very pleasantly surprised that on the first course I attended, the very first exercise – a mindfulness of breath practice – was exactly the same as the attention training exercise that I used with athletes in my sports psychology consulting. It is interesting when you look at the evolution of mindfulness that it has moved quite quickly over recent years from its “spiritual” meditation-based Buddhist roots, through academic research, into medicine (the Mindfulness-Based Stress Reduction programme founded by Jon Kabat-Zinn at the University of Massachusetts Medical School is recognised as a mainstream clinical intervention for people suffering with anxiety, stress and depression), the sports and performance arena, leadership, law enforcement, medical trauma care and, as you will soon read about in the next part of this chapter, the military. Some companies have begun to offer “meditation” or “quiet” rooms where employees can go to meditate or reflect in quiet;

others have made meditation classes and even retreats available. Further along the spectrum are companies which have fully embraced the mindfulness movement and which provide not just rooms, meditation training and retreats, but also fully blown mindfulness-based programmes for their employees and leaders. Google brings mindfulness to its employees through its Search Inside Yourself (SIY) programme, which blends science, meditation and business, and this type of approach is being adopted more widely by other corporations. I believe it could also quite easily be adopted in the trading and investment community.

The popularity of mindfulness can be measured by the hugely increasing number of academic papers that have been published over recent years, and from my own experience in terms of the financial markets by the number of traders and portfolio managers I talk with who have taken up regular yoga or meditation practice. One trading group that I work with has embraced mindfulness practice, and now offers a daily 10-minute mindfulness session that is available for all traders to attend.

Michael Chaskalson puts the rise of mindfulness primarily down to two key factors. Firstly, secularisation – taking it from being almost exclusively a Buddhist meditative process; secondly, the growth in the science behind mindfulness and the subsequent volume of academic papers that have been published on the subject. The findings from these papers show a whole host of benefits for people who practise mindfulness

The Benefits of Mindfulness

In the 1980s the US Army conducted its Trojan Warrior Project,⁸ where 25 Special Forces soldiers nicknamed “*Jedi Knights*” were given 6 months of extensive martial arts and meditation training that enabled them, as an outcome, to outperform their peers on psychological and biological feedback tests. Skip forward to 2008 and a group of 31 US Marine reservists training at the Marine Corps base in Quantico, Virginia, USA for deployment

participated in an 8-week mindfulness course, meditating for an average of 12 minutes per day, being taught awareness and attention skills and yoga-based poses. Move forward again to 2011 and a report in the *Washington Times* is headlined “Marines expanding use of meditation training”.⁹ In that report they interviewed a Marine Staff Sergeant who had recently undergone pre-deployment training which featured weapons training, physical workouts, high-stress counter-insurgency simulations and weekly meditation classes. His feedback on the classes included the following comments:

A lot of people thought they would be a waste of time. Why are we sitting around a classroom doing this weird meditative stuff?

But over time, I felt more relaxed, I slept better. Physically, I noticed that I wasn't tense all the time. It helps you think more clearly and decisively in stressful situations. That was a benefit.

The mindfulness work done with the US Marines was led by former US Army Captain and current Georgetown Professor Elizabeth Stanley and Amishi Jha of the Department of Psychology Center for Cognitive Neuroscience at the University of Pennsylvania. The programme, which they called Mindfulness-Based Mind Fitness, aimed to improve soldier effectiveness by developing resilience and improving emotional health, mental performance and self-regulation in combat situations. The results of their study from 2008¹⁰ demonstrated that compared with a control group of 17 Marines who had not participated in the study, the group had slept better and scored higher on emotional and cognitive evaluations. In real terms the impact included greater situational awareness, not having emotions driving behaviour and developing greater resilience to the stresses of combat.

The use of these approaches by the military is of particular interest to traders because of some of the core challenges in trading roles, namely making decisions under uncertainty, with the presence of risk, stress and pressure. Errors in decision making are a major cause of casualty in combat situations and so

the pursuit of methodologies that can enhance this is a key focus for the military. The impact of using mindfulness-based approaches on improving this ability was highlighted by the research conducted with the US Marines by Jha and Stanley, who found that:

Mindfulness training safeguards them against distraction and emotional reactivity and lets them maintain a mental workspace that ensures quick and considered decisions and action.

Besides offering some protection to combatants from post-traumatic stress and other anxiety disorders, the mindfulness training enhanced the clarity of thinking needed for soldiers fighting in challenging and ambiguous counter-insurgency zones.

To be able to keep a high function of working memory (your real-time mental workspace and also a key component of your self-regulatory ability), be less emotionally reactive and think quickly and clearly amidst the uncertain and dynamic nature of the market is obviously highly desirable, as is being able to cope with the highs and lows of winning and losing and withstand the pressures of performance demands in institutions; all these require a strong psychological make-up. It is possible, through effective *mind fitness* or mental and emotional training, such as the exercises and approaches found in this book, to develop such a mindset.

A study published in 2011 entitled “Mindfulness practice leads to increases in regional brain gray matter density”,¹¹ which investigated pre- and post-training changes in brain grey matter concentration following participation in an 8-week Mindfulness-Based Stress Reduction (MBSR) programme, stated some dramatic and beneficial changes. It showed that after the 8 weeks of mindfulness training there were significant increases in gray matter concentration in the regions of the brain that are involved with learning and memory processes, emotional regulation, self-referential processing and perspective taking.

The MBSR programme originated at the Stress Reduction Clinic at the University of Massachusetts Medical School in 1979 through founder Dr Jon Kabat-Zinn and his team. The MBSR programme is now a fully recognised worldwide clinical programme for managing stress, anxiety and depression in particular, and has been, along with various evolutionary variations, researched extensively. In 2010 the Mental Health Foundation published its *Mindfulness Report*,¹² a review of the current studies and papers on mindfulness which highlighted many of the key benefits attributable to mindfulness practice, including:

- Being less likely to experience psychological distress, having lower levels of stress and being less neurotic.
- Having a greater awareness, understanding and acceptance of emotions and a quicker recovery from bad moods.
- Having less frequent negative thoughts and being more able to let go of them when they arise.
- Having higher and more stable self-esteem and being less dependent on external factors.
- Being less likely to react defensively or aggressively when feeling threatened.
- Having good social skills.
- Having increased self-awareness.
- Having higher success in achieving academic and personal goals.
- Having improved attention, job performance, productivity and satisfaction.
- Feeling more in control of behaviour and more able to manage internal thoughts and feelings and resist acting on impulse.
- Having reduced addictive behaviours – drugs, alcohol or caffeine.

There were social and relationship benefits in the form of better communication, stronger relationships and less relationship conflict. From a health perspective the report showed benefits in terms of increased blood flow, reduced blood pressure, a reduced risk of cardiovascular disease, fewer hospital admissions, fewer

visits to the doctor and greater reported health and well-being from people who were higher in mindfulness.

As can be seen from the results of these studies alone, the benefits of practising mindfulness and developing mind fitness are numerous, and of potentially very significant benefit for traders and fund managers. Ellen Langer, who has been researching mindfulness for nearly 40 years, has found that for almost any measure, mindfulness generates a more positive result and she says that at the very highest level in any field – CEOs, artists, musicians, athletes, teachers, mechanics – you will find mindful people.¹³

One of the key findings by Jha and Stanley in their studies with the US Marines was the positive impact of mind fitness training on working memory, which can be thought of as the short-term scratch pad system you use to manage relevant information, solve real-time problems and importantly regulate emotions and behaviour. Working memory suffers from depletion under heavy cognitive load and stress, but with regular mind fitness training, soldiers' thinking and decision making was enhanced. The maintenance of working memory under market stress is key for traders and enables them to stay focused on effective action, whilst being situationally aware, mentally flexible and, where appropriate, responding flexibly.

Another key outcome, and again key to decision-making capability, was the soldiers' ability to regulate their emotions, particularly in situations where the fight-or-flight stress response is activated. This activation leads to evolutionary processes occurring – such as pupils dilating, heart rate and breathing increasing, blood flowing from the stomach and into the muscles (the feeling of butterflies) and stress hormones such as cortisol flowing through the body. Making good decisions can be difficult in these situations as blood flow is redirected from the prefrontal cortex, where thinking, decision making and analysis occur to the limbic system and brain stem, which is more associated with instinct and survival. Soldiers who underwent mind

fitness training were less reactive to threat situations, demonstrating an ability to think more clearly, act more effectively and be more responsive to their situational demands. As we will discover later in the book, higher levels of mindfulness have been linked to higher levels of resilience.

The research from the use of mind fitness approaches with the US military, although not extensive or conclusive, and subject to future research and expansion of the programme, does, however, demonstrate some verifiable positive outcomes and opportunities for performance enhancement for traders who have some similarity of decision-making challenges. How, then, does this relate specifically to traders and the demands of trading the financial markets?

Becoming more mindful has many potential benefits for traders, as we have seen, but there are also other key and important benefits that mindfulness research with traders is demonstrating, specifically in helping traders to be less impacted by some of the behavioural finance biases – such as the disposition effect (selling winners too early and running losses too far) and loss aversion.

In a presentation at the NeuroPsychoEconomics Conference 2012, Mark van Overveld of Rotterdam School of Management shared some key findings of his research using simple mindfulness-based interventions to enhance trader decision making.¹⁴ Among his key findings were:

- Mindfulness is associated with changes in areas of the brain relating to emotion regulation, response control and deliberate decision making.
- Mindfulness seems very relevant for traders.
- Mindfulness increased attention.
- Feelings of stress were reduced.
- Managing emotions (such as fear and anger) was improved.
- Traders learnt to accept emotions instead of acting on them.
- Awareness of emotions allows for adequate emotion regulation.

- Mindfulness facilitated financial decision making in terms of risk taking and timely loss aversion.
- Mindfulness helped individuals balance risk taking and loss prevention.

An interesting study from researchers at INSEAD and The Wharton School¹⁵ found that just one 15-minute focused-breathing meditation can help people to improve their decision making, including cutting losses in stocks. One of the challenges to cutting losses is that people have trouble admitting that they are wrong and don't want to feel that their time and effort in planning the trade or investment was a waste of time; so they often take additional risk to see if they can at least get back to break even. The study found that performing a brief mindfulness practice before making the decision encouraged people to take in more information from the present moment and reduced the amount of focus people placed on the past and the future, which led to less *negative* emotion which then enabled them to be able to *let go* of their trades more easily. The mindfulness practice had produced a debiasing effect.

One of the core elements of mindfulness is holding a non-judgemental awareness. This does not mean in any way that if you are mindful you do not make judgements *per se*, but rather that the manner in which they are made is less critical than perhaps many people may experience. This ability to hold a present-moment, non-judgemental mindset is demonstrated by George Soros, who indicates that one of his key strengths is his ability to non-judgementally reflect on his investment decisions. Being able to cultivate opinions and views is very important for traders and investors, but being able to do so without strong attachment, high ego and with a sense of impermanence and flexibility is even more so. Mindfulness practice can help to develop this mindset.

Another challenge facing traders and fund managers is information overload and high distractibility. There is an unprecedented amount of information and distraction in the trading environment – screens, charts, instant messenger, phones,

televisions, squawk boxes, newspapers, websites, emails, texts and other traders. To some degree information is useful, but for all of us there is a point at which we start to get overloaded, which results in activation of the stress response, leading to a reduction in brain function as your *survival brain* takes over from your *thinking brain*. It then becomes difficult to make decisions, to plan, to be flexible, ... even to remember. Mindfulness helps to reduce stress reactivity, to reduce the impact of information overload, and may help with being able to see with greater clarity what information is important to focus on and what is not. With research from the Centre for Creative Leadership¹⁶ showing that the average worker is interrupted every 11 minutes and that it may take up to 25 minutes for that person to fully refocus again, the ability to sustain attention, recognise when you are distracted and refocus quickly – which are key outcomes of mindfulness training – have significant importance.

Mindfulness is new for the majority of traders and fund managers I work with, although a small but growing proportion of them have participated in yoga, and some more formalised meditation practices as we saw in the Introduction with both leading hedge fund traders Ray Dalio of Bridgewater Capital and Bill Gross of Pimco. At a recent conference in Japan where I was talking to traders and fund managers on enhancing decision making, and at which I presented a section on the benefits of mindfulness training, I was introduced to members of a very successful fund based in New York which places high emphasis on its team's use of yoga and mindfulness-based practice. They felt that this provided them with the calm and focused mindsets required to make their investment decisions and also had a very positive impact on their own personal health and well-being. A very holistic philosophy towards investing performance.

Mindfulness training can then potentially help traders to make better decisions under conditions of uncertainty, to cope with the pressures of performance and risk taking, to deal with winning and losing more effectively and to manage the general stresses associated with the trading environment.

***TraderMind*: Mindfulness-Based Trading and Investing**

Building mind-fitness with mindfulness training may help anyone who must maintain peak performance in the face of extremely stressful circumstances, from first responders, relief workers and trauma surgeons to professional and Olympic athletes.

Associate Professor Amishi Jha, University of Miami¹⁷

TraderMind provides a psychological framework for traders and investors that is centred around the practice of mindfulness-based approaches. Whilst I use mindfulness as part of a wider toolkit and approach, I really believe that many people would benefit from applying mindfulness in their own trading and investing based on the following four points:

- 1 Mindfulness has been the subject of extensive neuroscience research and although it is often noted that the quality of this research does vary, there have been many excellent studies.
- 2 There is a growing use of this type of methodology among performance areas such as the military, law enforcement, elite sport and leadership programmes.
- 3 These are practical strategies that can be practised and developed just like any other skill.
- 4 They provide a wide range of benefits from a core set of practices and so offer a real bang-for-buck investment for time-pressed traders and fund managers.

TraderMind is focused on teaching traders and fund managers specific approaches, practices and techniques that will help them to meet more effectively the challenges of trading and investing. To be able to meet these challenges, a specific set of psychological characteristics is required, as identified in Figure 1.2 and explained below – the five components of *TraderMind*.

1 *Attention and Awareness*

Attention and awareness are core to trading and investing performance and develop your ability to focus and concentrate

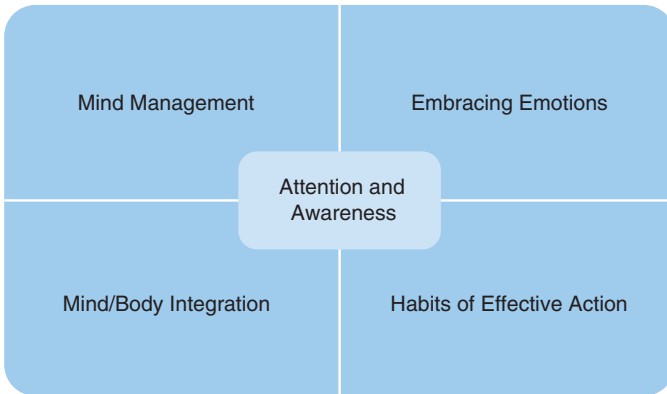


Figure 1.2 The five components of *TraderMind*.

on relevant market cues and information, to be able to sustain that concentration over extended periods of time, to recognise when you have become distracted – perhaps by market noise or inner noise – and then be able to refocus. Attention and awareness are also key because they are fundamental skills to develop in order to self-regulate, to be able to manage your thoughts, emotions and behaviour; they also contribute significantly to your powers of self-control. Awareness has two dimensions: firstly, noticing what you are thinking, feeling and doing, an internal awareness; secondly, an external, situational awareness, the ability to be aware of what is going on around you, to be able to assess and absorb information from the external environment effectively and respond to it appropriately. Situational awareness is largely taught and discussed amongst military circles but is, for me, a fundamental trading skill.

2 *Mind Management*

Mind management is your ability to work with and manage your thinking processes. To have an awareness of your thoughts, beliefs and perceptions and to be able to work with them and relate to them in such a way that any potential detrimental impact is reduced.

3 *Embracing Emotions*

Embracing emotions refers to your ability to manage your emotions effectively. This requires you to be able to recognise, to have an awareness of, your emotions; then to be able to regulate them, to manage your experience of them. Fundamental to embracing emotions is accepting them, approaching them and working with them.

4 *Mind/Body Integration*

Contrary to an evolving popular belief, the mind and body are an integrated system, with one affecting the other. In *TraderMind*, traders are encouraged and shown how to improve the connectivity between the two systems to improve decision making by enhancing your awareness of your bodily sensations and responses to feelings that can be indicators of risk and reward in the markets. The connection between a healthy body and a healthy mind is also important, with neuroscience research demonstrating the strong impact of energy levels and fatigue, for example, on your decision-making process.

5 *Habits of Effective Action*

At the core of any decision is action, it is the only way in which you can make or lose money in the markets. Action is also key because the daily habitual patterns of behaviour that we all have can either be contributing to or detracting from your market returns. Building habits of effective action – those that support your values, goals and trading mission – can help to reduce the impact of your thoughts and feelings on your trading, acting in a preventative way. Being able to recognise, and release, ineffective habits is also important in *TraderMind*.

A phrase that really captures the essence of what having high levels of mindfulness or mind fitness means for traders is the following: “*Mindfulness practice promotes mindful responding as opposed to mindless reacting to events.*” Responding to the markets and to

any relevant sources of information, as the situation unfolds, rather than simply reacting to internal thoughts, emotions and feelings in the moment. *TraderMind* is focused on developing the five components above through a mindfulness-based approach.

Developing Mindfulness

Having worked with many traders and portfolio managers across the globe, teaching mindfulness-based approaches as part of my overall approach to trading performance and psychology, I can assure you that the allure of the potential benefits is, for most participants, enough to gain their curiosity and get them to engage, even if tentatively to begin with, in what for many are initially perceived as *weird* mental training practices. Interestingly, post-course and coaching feedback often indicates the mindfulness-based approaches and techniques as being key take-aways for attendees. The one downfall for some is that, like any skill, to develop it requires time and effort. However, research into the use of mindfulness-based approaches in trading does suggest that even short interventions and techniques can be very useful. You can also benefit greatly just from simply knowing some of the key mindfulness-based principles, by seeing things differently, and also by utilising some of the 'in-the-moment' strategies from within this book and bringing short mindful moments into your trading and investing day.

In the chapters that follow you will be shown how to develop the five key components of *TraderMind*. You will be introduced to the core skills and approaches, including mindful awareness and attention, how to work with your thoughts, managing emotions, building the mind/body connection, how to keep a focus on effective action and how to integrate the components into a psychological approach that can enhance your trading decisions and performance.

