

Mindful Awareness and Attention Training For Traders

Developing Mind Fitness For Managing Your Mind and Emotions

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What Is Mindfulness?

“A way of paying attention: on purpose, in the present moment and non - judgementally to whatever arises in the field of your experience.”

Jon Kabat-Zinn

Mindful awareness is defined by one of the 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.”* In trading this can translate as trading in the moment, paying attention to what the market is doing right now. You'd be fully present in the absence of any preconceived ideas or biases to influence you, and without anxiety or fear. If you were able to do that it would probably have a significant impact on your trading performance wouldn't it?

Mindfulness is the opposite of mindlessness which is defined as living on autopilot (referred to by neuroscientists as your default network – mindful experiences are part of your direct experience) governed by your conditioning of thoughts, beliefs, emotional responses and behaviour. Importantly mindfulness is a skill – it can be learnt and developed.

I first came across the term mindfulness when researching and reading about how to apply neuroscience into trading where mindfulness was presented as a key skill to developing the level of self-awareness and self-control required to maximise potential. When I began to learn and practise mindfulness for myself I was pleasantly surprised that on the first course that I did that the very first exercise, mindful awareness, 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 roots, through academic research, into medicine (the Mindfulness Based Stress Reduction program is a recognised as a mainstream intervention for people suffering with anxiety, stress and depression), the

performance arena, leadership and most recently the military. Its popularity can also be measured by the drastically increasing number of academic papers that have been published over recent years, and from my own experience by the number of traders I talk with who have taken up yoga or meditation.

What Are The Benefits Of Becoming More Mindful?

Research in medicine, psychology and neuroscience has demonstrated that there are many key benefits to becoming more mindful. The following are taken from a list in Michael Chaskalson's book 'The Mindful Workplace'.

- Less likely to experience psychological distress, less neurotic, more extraverted, greater well-being and satisfaction
- Greater awareness, understanding and acceptance of their emotions and recover from bad moods more quickly
- Less frequent negative thoughts and more able to let go of them when they arise
- Higher and more stable self-esteem less dependent on external factors
- Less likely to react defensively or aggressively when they feel threatened
- Good social skills
- Increases self-awareness
- Higher success in achieving academic and personal goals
- Improves attention, job performance, productivity and satisfaction
- Feel more in control of their behaviour and are more able to manage internal thoughts and feelings and resist acting on impulse
- Increase blood flow, reduce blood pressure
- Fewer hospital admissions for heart disease, cancer and infectious diseases
- Can reduce addictive behaviours – drugs, alcohol, caffeine

If you want to understand the benefits of becoming more mindful in situations of stress, risk and uncertainty - i.e. in trading the financial markets - then this summary of some of the key findings from research done with the US Marine Corp by Jha and Stanley should help. They had the Marines complete an eight-week Mindfulness Based Stress Reduction (MBSR) course prior to deployment to combat zones and found that those who completed the course in comparison with those who did not showed raised levels of cognitive control, increased self-awareness, more situational awareness and improved emotional regulation.

The following are excerpts from the paper highlighting the benefits in more detail.

'Extended their working memory under stress.'

'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'

When you read through the list of benefits and the US Marine study findings it would be hard to find any of those abilities that you would not want to have as a trader; and the great news is that you can train yourself to develop them.

The Awareness Advantage

"...without self-awareness, you would have little ability to moderate and direct your behaviour.....You need this capacity to free yourself from the automatic flow of experience, and to choose where to direct your attention. Without a director you are a mere automaton, driven by greed, fear or habit."

David Rock, 'Your Brain At Work'.

A primary reason for developing your mindful awareness and attention is to raise your level of self-awareness to a new level, beyond reflection, to actually being able to notice your experience in real time, recognising in that moment the impact of your thoughts and

emotions, noticing any impulses or urges that you may have and being aware of any habits that may be at play.

From Socrates to the self-help era the maxim 'Know Thyself' has been banded around as a key principle to being happier, healthier and wealthier, to performing at a high level. But what exactly is it? Kevin Oschner, Head of Social Cognitive Neuroscience Laboratory, Columbia University, New York explains it as *"Self-awareness is the capacity to step outside your own skin and look at yourself with as close to an objective eye as is possible."* Neuroscientists have coined this ability as having an 'impartial spectator' and former fund manager Tom Basso who appears in *New Market Wizards* by Jack Schwager provides an interesting insight into his own self-awareness in Van K. Tharps book 'Super Trader'...

"In situations where I felt I needed improvement or in which I wanted to improve my interactions with other people, I would just play key events back in my head – figuring out how others had handled the situation... I've always thought of it as some Tom Basso up in the corner of the room watching Tom Basso here talking to you in the room. The funny thing about this secondary observer was that as time went on, I found the observer showing up a lot more. It wasn't just at the end of the day anymore. As I got into stressful situations, as I started trading, doing more interacting with a lot of people, getting our business off the ground, dealing with clients, and so on. I found that this observer was there to help me through it. If I felt awkward or uneasy, then I was able to watch myself do it. Now I have this observer there all the time."

As a trader one of your goals is most likely to be disciplined, which is in essence the ability to be able to shape your behaviour, to be able to direct your thinking and your feelings. John Whitmore in 'Coaching For Performance' makes the point *"I am able to control only that of which I am aware. That of which I am unaware controls me."* In order to develop discipline, we need control, and to develop control you need to develop awareness.

"Since practising the mindfulness exercises I have become more attentive both in and out of trading. My awareness has increased and I feel that I have calmed down a lot and have more discipline. The emotional swings have reduced."

Trader, Multi Asset Classes, Following A Program Of Mindfulness Training

Mindfulness and Trading

“For trading, I think it’s just unbelievable how mindfulness helps you to stay here and not to think about past or future.”

FX Trader After 4 Weeks Mindfulness Practise

I have been using Mindfulness approaches with my clients over the last 12-18 months and as I stated earlier have noticed a slowly increasing trend of traders and portfolio managers taking up yoga and meditation in order to enhance their well-being and performance.

In his presentation at the NeuroPsychoEconomics Conference in Rotterdam in 2012, Mark van Overveld from the Rotterdam School of Management, Erasmus University Rotterdam presented the findings of research done with traders utilising mindfulness based approaches to enhance trading performance. 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
- Increased attention
- Reduced stress
- Useful for managing emotions (such as fear and anger)
- Helps learning 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.

Of real relevance for traders is this statement from Chaskalson in 'The Mindful Workplace'. *'Mindfulness practice promotes mindful responding as opposed to mindless reacting to events'*. In trading terms, traders who are more mindful will be more able to respond to the market rather than simply react to their thoughts and emotions experienced as an outcome of the market. Most impulsive, self-defeating or self-destructive behaviours are attempts to escape, avoid or get rid of unwanted thoughts and feelings and mindfulness based approaches can be very helpful with improving this.

"When I am trading it is like I am watching from outside myself, a 3rd person perspective."

Commodities Trader Post-Mindfulness Coaching

Mindfulness Training

"Mindfulness is a habit, it's something the more one does, the more likely one is to be in that mode with less and less effort...It's a skill that can be learned. It's accessing something we already have. Mindfulness isn't difficult. What is difficult is remembering to be mindful."

John Teasdale, Leading Mindfulness Researcher.

Mindfulness is a skill and as Teasdale states a habit, it is an action, and to get better at it you need to practise it. There are many ways in which you can practise your mindfulness, too many to go into in this article. If you were to go on a mindfulness course then central to your learning would be a formal sitting meditation where you would learn to still your mind and experience some calm, although there are many different kinds of mindfulness practise including lying, and even walking ones. Mindfulness can also be introduced into your everyday life by taking time to eat, drink and even exercise more mindfully, paying attention to your experience.

Mindfulness of Breathing

In this practise you are going to use your breath as a focus of your attention. The aim is to sit comfortably and then simply allow your attention to settle on the sensations of your breathing, following the rhythm and speed of your breath, the movements of your chest and abdomen, feeling the flow of air in and out, just noticing. When your mind wanders – as my own mindfulness teacher Michael Chaskalson author of 'The Mindful Workplace ' likes to remind me 'as minds do' – just notice where it went and then 'gently and kindly' bring your attention back to the breath. This process is exactly the same one as I utilised with athletes to develop their attentional skills – it has great benefits for both sustaining attention, recognising when you are distracted, and learning to refocus quickly. It also of course as you now know has many other benefits as listed previously in terms of awareness, behavioural control and enhanced emotional regulation to name a few.

Using your breath as a point of focus has two distinct advantages. Firstly that it is always with you and so you can perform the practise anywhere. Secondly that your physical and emotional state will be reflected in your breathing, giving you a subtle awareness of your state, and allowing you develop greater emotional awareness. This process is the repeated for a period of time which could be as short as 60 seconds if you are performing a 'Mindful Minute' - which is a great way to centre, refocus and rebalance prior or after a specific event, or to build you number of mindfulness minutes over the day – or could extend up to 10 -20 minutes or more. In sports psychology we typically used time frames of 10-20 minutes with athletes for attention training and if you are a trader with a busy life and demands on your time then committing to a daily practise of something within this region might be a great starting point. Studies have shown that even as little as 20 minutes of practise over 5 days can produce positive benefits. I generally encourage my own clients to aim for 10 minutes per day.

Mindful Mowing – How One Trader Developed His Own Mindfulness Practise

I was discussing the concept of mindfulness with a trader client of mine who then recounted how he has one task each week that he likes to see completed from start to finish without interruption – mowing the grass. He told me of how he ensures that his family know that he is not to be interrupted and then how he goes about slowly cutting the grass, pushing the mower up and down the lawn, taking in the smell of the fresh cut grass, hearing the sound of the engine. A direct and mindful experience.

Becoming A Mindful Trader

There are many possibilities for including mindfulness into your trading. I have given a couple of ideas below.

- Use quick mindfulness interventions before trading to center/prepare e.g. 'a mindful minute.
- If you find your mind or emotions racing away with you during your trading take a moment or two to focus on your breathing and bring yourself back to the present.
- Use mindfulness of the breath longer sessions to train and develop mindfulness more formally; start with 2-3 minutes per day, building to 5 and eventually 10 minutes, or more.

From simply paying more attention to your experience, to mindful minutes and 10 minute plus mindfulness practises there are many opportunities to develop mindfulness, to rewire your brain and achieve the benefits of improved awareness, attention, emotional regulation, behavioural control and enhanced trading decisions. The benefits are there, you just need to do the practise, just like getting physically fitter requires exercise, so does developing mind fitness.

If you would like to find out more about mindfulness based approaches for enhancing trader performance including live and online coaching and training please get in touch at info@highperformanceglobal.com



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