

In God (or the Fed) We Trust

In times of panic in the financial markets, it is human nature to turn to a higher power for help.

BY ALDEN CASS

Sep 5, 2007 11:20 AM EDT

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One of my clients, a financial adviser, surprised me in my office last week in a full-blown panic over the volatile financial markets of the past few months.

I was able to offer him a slot because so many of my clients were away for Labor Day weekend. "John," as I'll call him, could not understand how and why his colleagues were able to take a break from the markets in exchange for lobster tails and sunshine.

"We're going to have a meltdown soon, and my clients are harassing me every day," he said. "They want answers and I have nothing to tell them." He dramatically stated: "I want to move to France where they have control over their economy."

John was out of answers, and he was emotionally distraught by the way his clients were wilting under the pressures of such volatile markets. He reported that he was experiencing insomnia, heart palpitations and racing thoughts. Unfortunately, when an adviser reaches this level of concern, his clients don't stand much chance of maintaining their composure, either.

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It is understandable that Wall Street executives and investors would be nervous about the future of our economy, especially as commentators fret about the possibility of a recession in the media. During the past week, many advisers and traders scurried around looking for any positive signal that our markets would thrive.

The volatility was so brutal that many of my traders actually left work by noon each day, some to go off and fly fish. The greatest problem was that there were so few data points or fundamentals to guide their investment strategies. As a result, even some top traders felt like they were just throwing darts at a board on their wall.

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Cass is a performance enhancement coach and clinical psychologist for Catalyst Strategies Group (www.catsg.com) who specializes in working directly with individual and teams of senior investment executives, including high-profile CEOs, top hedge fund and prop traders, investors, and financial advisers to help them achieve their financial and personal goals. He works to modify behaviors that are hampering their performance and to give them the mental edge within competitive work environments. He is a licensed clinical psychologist and an expert on the use of psychology in the financial services industry. He has conducted behavioral healthcare studies on retail stockbrokers that indicated that 23

percent of the group measured met criteria for major depression. His research has been presented at both national and international conferences (APA, ICPP). He is a major contributor to columns in On Wall Street Magazine and Traderdaily.com. Cass has also conducted workshops with the Securities Industry Association, Money Management Institute, Trader Monthly Magazine's Peak Performance Workshop, The Wall Street Branch Managers Meeting at the Federal Reserve Bank of New York, and the London Bullion Market Association, the Silver & Zinc Association, the Investment Management Consultants Association (IMCA), and the Investment Products Association (IPA).

He has appeared in the following media: The Today Show, Fox News Live, New York Magazine, Businessweek, Lou Dobbs Moneyline CNN, CNN money.com, CNBC London, Financial Times, London Financial Weekly, Washington Post Radio, NY Newsday, On Wall Street Magazine, E-Trade "On Air," BBC Radio, Reuter's Business Newswire, New York Times, Boston Globe, Absolute Return Magazine.

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It seems like advisers like John developed a sense of learned helplessness, which is by definition a form of acceptance that they cannot control their own destiny or fate. They are searching for answers but are consistently coming up empty. This feeling can lead to job burnout, panic and apathy if an individual remains in this passive stance for too long.

The Prescription

What could John do to deal with the feelings of helplessness he was experiencing? Psychologically speaking, it is human nature for people to turn to religion when they feel they have lost control over their lives. Sometimes, a time of crisis can also motivate human beings to look for other forms of a higher power to help them overcome a seemingly uncontrollable situation.

Investors and traders also are eagerly awaiting the **Federal Reserve's** Sept. 18 meeting and subsequent policy statement. Will the Fed lower the federal funds rate, which influences the rates on various consumer loans?

Over the holiday weekend, I spent time mixing it up with a group of financial types. I would not be exaggerating when I say that at least 50% of our discussions were about the impact that this announcement would have on the health of our economy. It seemed that they were all hoping -- and some even praying -- that the Fed would take action for them. Once individuals have developed "learned helplessness," either they take action or someone needs to do it for them. It looks like the market participants prefer the latter for the purposes of reducing stress and anxiety.

As long as we can believe that there is a higher power out there that can give us direction and supply us with answers, we will survive another scare. We need these announcements to maintain our composure and investment discipline. Facts and data give us the certainty

and courage to ride out a downturn.

Focus on the things you can control. The amount of sleep you get, the amount of effort you put into your research and the quality of the trades you make. During times of volatility, listen for the hard facts, stay disciplined and, perhaps, find comfort in your religion.

Please write to the Stock Doc with your trading, emotional or investing dilemmas. Dr. Cass always welcomes comments and stories, for which he'll try to offer solutions in later columns.

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