Stock Doc: Breaking Out of a Mental Slump

Traders, like baseball players, go through slumps. The trick is to not dwell on them.

BY ALDEN CASS Apr 10, 2007 12:07 PM EDT

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On a blustery Thursday night last week, Alex Rodriguez, one of the highest paid players on the New York Yankees, came to the plate late in a game against the Tampa Bay Devil Rays for a crucial at-bat.

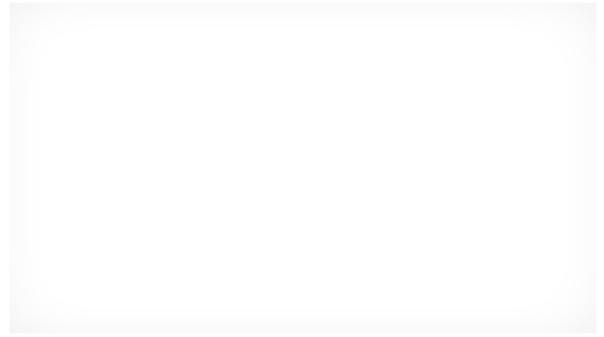
With the bases loaded and the Yankees down by one run, Rodriguez popped out to the second baseman to end the eighth inning of a game his team eventually lost. For any Yankees fan, watching A-Rod in a clutch situation is usually quite a dissonant experience. We all know he is a tremendous athlete with an endless supply of talent. Our confidence in him, however, is shaken after watching him in pinstripes the past few seasons, where he has gained a reputation for not rising up to the challenge when the pressure is on.

Most highly paid performers, whether they are athletes, traders, lawyers or doctors, are faced with daily pressures to produce when the heat is on. The mental edge that some individuals have that makes them consistent clutch performers has always intrigued me.

One thing that I've learned as both a trading coach and a ballplayer (I still play for the Central Park Yankees in a semiprofessional wooden bat league on summer weekends) is that you can't be expected to rise up and shine at every single

opportunity.

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If you hold these expectations for yourself, you put yourself at risk for tremendous amounts of frustration and disappointment, which can negatively impact your performance.

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At the time of publication, Alden Cass had no positions in stocks mentioned.

Alden 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 advisors 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

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(Page 1 of 2)

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The high-powered professionals and athletes I work with nearly universally admit to minimizing their focus on their big triumphs. They instead worry about carrying feelings of failure for way too long. Ballplayers and investors alike want to be clutch in every opportunity that is presented to them.

Unfortunately, even the best hitters in baseball fail 7 out of every 10 plate appearances. It is important to remember that as investors, no matter how experienced you are, you need to expect both cycles of being right and being wrong spread throughout a year.

Even the best investors can be crippled by irrational expectations of their performances on each trade. Here's some things to think about the next time you find yourself pressing:

• Quality and not quantity: Whether it was a bad outcome for you on a trade with Coca-Cola or DaimlerChrysler, it is imperative to shake it off, clear your head, and try to be right only a few times over your next nine trades. Stop striving for perfection. Individuals usually make the most money on a small percentage of their trades each year.

Perhaps you were squeezed out of your position prematurely? Realize your mistakes early and reassure yourself that you only need to capitalize on a small amount of plate appearances. It is the quality of the trade -- or each at-bat -- that makes you more confident.

• It's a long season: A-Rod and all of the Yankees fans will experience heartache this year if they overanalyze his performance in each game and each at-bat. Unless he ignores the belief that "you are only as good as your last at-bat," A-Rod will continue to struggle in clutch situations.

As an investor, you must believe in yourself, your strategy, and your ability to make tough decisions when the heat is on. Each failure or negative outcome brings you closer to a

chance to shine and make money.

It's the Law of Averages: Slumps are a normal part of a fluctuating cycle for athletes and investors throughout a full season. Don't get bogged down in episodic slumps. Let it all come down to the end of the season to measure your overall performance. Then you can go back and micromanage your winners and losers.

• **Breaking the mental cycle**: It ended up being quite a weekend for A-Rod. He hit a gamewining grand glam on Saturday and another home run on Sunday, as he continued to show more consistency in his early season performance. It is important for him to ride this wave of success this year and avoid falling into the mental traps that crippled him in clutch situations last year. It's the same for investors. Enjoy your winning cycles and leverage your trades when you are hot. This way, failures hurt less, and you can shake them off quicker.

After all, cold streaks are just a part of the game.

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 valuable solutions in later columns.

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