

Stock Doc: The Narcissist Investor

Don't let hubris undermine your trading.

BY ALDEN CASS

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In my performance coaching and clinical practice, I often work with professionals who feel entitled to the best things in life. These professionals want financial success, the best-looking partners, prestige, family comfort, recognition and job satisfaction. They also want all of this to come with a quality of life that is superior to that of 90% of the population.

Unfortunately, what we expect in life doesn't always materialize. Nothing speaks to this point better than the disappointment and frustration that one can experience on a typical day of trading or investing in the markets.

Trading is not for everyone, but it often attracts individuals who are overly confident, idealistic and successful in their chosen professions. Frequently, those who are successful as CEOs, lawyers or doctors make the mistake of thinking that their skills will translate into sound, quality trades when they invest.

Many top-performing traders, financial advisors and arm-chair-investors-turned-daytraders come to me for help in balancing their personal lives with the stresses of their jobs. Often they tell me that their significant others or friends tease them, calling them narcissistic, egomaniacal and selfish in thinking the world revolves around them.



It makes sense to me that on the surface, many successful individuals in powerful positions could be accused of being narcissistic, overconfident and self-centered. But are these traits all necessarily detrimental?

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At the time of publication, Alden Cass had no positions in stocks mentioned. 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 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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(Page 1 of 3)

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To be the best at what you do for a living, you have to take risks and be confident in your success formula. My clients really believe that their investment strategies are well thought-out, often visualizing a successful trade even before it has been executed. In trading, it is always important to set an endgame goal for how long you will hold on to a specific trade.

In order to manage the anxiety of initial setbacks in a trade, you absolutely must hold on to your convictions about why you engaged in the trade in the first place. Confidence in your strategy is necessary and pivotal if you want to be a successful trader.

However, when you have been on a long winning streak, it is very easy to develop a blind spot in the form of grandiosity and a sense of invincibility. These are some of the very traits commonly recognized in those who may be classified as narcissistic personalities.

In making a clinical diagnosis of a narcissistic personality, an individual's traits must impair the person's social, occupational or academic functioning. Trading narcissism left unchecked can be an investor's undoing.

In my experience, there are several common traits associated with narcissism that can cripple an individual's investment portfolio. They include:

- Giving way to a pervasive pattern of grandiose thinking.
- A need for excessive admiration from others.
- A preoccupation with fantasies of unlimited success (this can also be coupled with a belief that he or she is special and unique).
- A strong sense of entitlement in expecting immediate compliance.

Taken together, these characteristics can lead an investor to neglect vital data points that enter into the equation because the points were initially unexpected. To a real narcissist, unexpected or unpredictable data points have no right to impact what they see as their perfectly orchestrated trades. They can become furious, even hostile, when reality doesn't align with their predictions.

One of the most animated clients I coach could not get out of trades early enough because

he was absolutely certain of his target marks for his trades. In some recent trades involving **Marvell** (MRVL) and **eBay** (EBAY), he was so overconfident in his strategy that he ended up giving back a huge chunk of his return because he ignored all data available to him. His narcissism was his own worst enemy on trades, and I had the rewarding job of delicately telling him that he needed to start questioning some of his decisions and his sense of omnipotence.

Since many potential narcissists believe they are never wrong and that the world should react in accordance with their strategies and theories, they are prime candidates for exploitation by the vicissitudes of the markets. If they are unaware that their grandiosity and self-entitlement may affect their trades, they risk getting crushed by holding on to a position too long or getting out of one too early.

The key here is to find a balance between overconfidence and self-doubt. This will allow you to control your emotions and make objective decisions that account for your blind spot. So even if you are very successful at whatever you do professionally, as a trader your best asset can be remembering some of your past mistakes and identifying your weaknesses.

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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