

Stock Doc: Trust Your Instincts

When a bad trade shakes your confidence, don't get thrown by the mind's curve balls.

BY ALDEN CASS

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It is very easy to let the volatile nature of the markets dictate your emotions. The fast, wild rides up and down are enough to induce a kind of mental motion sickness.

When you experience success with your trading, your confidence remains intact and you can make decisions on future trades without second-guessing yourself.

When a trade or investment goes bad, however, perhaps resulting in a give-back of an entire week's worth of returns, the mind's natural reaction is to create thoughts that trigger fear and worry. You may freeze up, give up for the day, or even worse, begin to doubt your competence as a trader.

I coach a variety of skilled traders and investors who have allowed fear and worry to spill over into their mindsets when slapped in the face by a position gone sour. These top performers have developed what I call behavioral paralysis, a consequence of a fissure in their confidence.

This sudden self-doubt can be an unsettling experience for relatively confident individuals. Trading with this mindset can negatively impact your commitment to those trades. It's like attempting to drive a car with one foot on the gas and the other on the brake.

With this mindset, it is impossible to leverage your trades and make big money. If you have lost big, your comeback will likely be that much more difficult so long as the mental paralysis remains uncorrected.

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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 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 2)

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Applying Insight From a Wise Ballplayer

As I've mentioned in previous columns, I've been playing in a semiprofessional baseball league for the past five years. Throughout my hitting streaks and slumps, I have been

fortunate enough to play with a variety of older, more experienced ballplayers who have seen it all. They have honed their ability to overcome slumps and setbacks because they understand the logic that they are part of the game and that they will always have a chance to redeem themselves over a long season.

Last season, amidst the worst hitting slump of my short career, a 38-year-old veteran who had played in the minor leagues for 10 years gave me some advice that has stuck with me since. He knew that my confidence was down and that I was frustrated. He pulled me aside and in a relaxed manner said to me, "Man, you just got to trust your hands and you will start hitting again!"

The Takeaway

"Trusting your hands" as a hitter relates to one's ability to let your body go through its natural swing without thinking too much about what you are doing. In essence, you see the ball coming out of the pitcher's hand, and you let your instincts and body take over the rest of the swing naturally.

If you are in good physical shape and you have a fundamentally sound stroke, you will eventually hit the ball hard. Your hands have the answer, not your head.

Traders who are feeling like they have lost their ability to see clearly because of a slump must also remember that they have a learned skill. The insights and strategies that have worked for them in the past can continue to work as long as they banish bearish thoughts from their minds before a trade.

Let your body execute the trade as it was originally meant to be executed. Trust yourself and don't get fooled by the curve balls that your mind throws at you after you have incurred a large loss. In many ways, your first decision can be worth sticking with as a rule. Follow through with your swing!

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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