



Trading – “A High-Performance Activity”

Steve Ward really came to trading by accident. When he made the decision to start his own business as performance coach for sportsmen and enterprises in 2002 he didn't seem to know how far he would get from that point. Finally he arrived at the finance sector to work with traders of all kinds. Why exactly traders? The reason is that there are astonishing parallels between professional trading and professional sport. From his experiences on both fields Steve Ward created a great coaching approach. In our TRADERS' interview he talks about the psychology of trading, the challenge of following rules and his coaching methods.

TRADERS': Steve, can you tell us a bit about your background?

Steve Ward: Yes, certainly. I started my working life as a physical education teacher and sports coach, which I thoroughly enjoyed and which really nurtured my interest in and study of performance and the psychology of learning, success and achievement. I made a tough decision in 2002 to leave teaching to start my own business – which had been something that I had always wanted to do – providing performance coaching and training to sports people and teams, the educational sector and to corporate organisations. Since then I have been fortunate in being able to work with athletes and teams

in over 30 sports at elite, professional and Olympic level, whilst also providing training for teachers and students, and working with some great people from public and private sector organizations before eventually specialising in working with financial traders, which has been my key focus since 2005.

TRADERS': So how did you come to work with financial traders?

Ward: I was invited by the Global Head of Training and Development of a very large trading institution in London who I had met on a sports psychology programme that I was running to work with their traders

providing 1-1 coaching and delivering seminars on the graduate programme and for the experienced traders. It was a real challenge as at that time I knew little of the world of financial trading, but I really enjoyed the results-driven environment and the performance dynamics of trading.

TRADERS': That must have been a real challenge for you since traders can be quite a tough group of people at the best of times.

Ward: Absolutely. I had to learn very quickly and did lots of reading and also research on the web getting to grips with the language as well as the content and concepts behind trading. One thing I discovered very early on was that trading was definitely a high-performance activity and results-driven, so was very similar in those respects to other areas that I had worked in previously.

TRADERS': So you have found a lot of similarity between trading and sports?

Ward: If we look at the areas of performance and high achievement, then yes, there are lots of similarities between trading and sports – for example motivation, goal achievement processes, concentration and focus, confidence, composure and performance under pressure, dealing with stress and also resilience, i.e. dealing with setbacks and errors. Trading does have its own uniqueness though, which in my opinion makes it one of the most demanding performance activities out there. Firstly, professional traders are trading – i.e. 'competing' every day which is not the case in most sports. Secondly there is little practice time, so learning and development are done live – 'during the game'. And finally and most importantly we have the whole dynamic of financial decision-making. This last area is a real key one and the recent advances in the areas of behavioural finance have helped us to understand more about the judgmental errors most traders make.

TRADERS': What kind of errors?

Ward: Well, for example we know that one of the golden rules in trading is to run your profits and to cut your losses right – and it makes perfect rational and logical sense. However, we know that many traders do exactly the opposite and cut their profits and run their losses. Behavioural finance has shown that there is a judgmental bias known as loss aversion which basically shows that most humans will be more risk averse in a situation of gain, and less risk-averse in a situation of loss. This is a hard-wired human bias in most people. Examples for it are: An overconfidence; a mental accounting: "How you account for your wins and losses? Does a big win for example give you a 'cushion' or 'money to play with?"; a selective perception and confirmation bias: "We see what we are looking for.", and many others all of which most people are pre-disposed to. All that suggests that in order to become a successful trader a person will need to become more effective at dealing with these biases, and therefore that the mindset of most successful traders will be away from the norm. It is these biases that often make sticking to trading rules so challenging – we know what we 'should' be doing but find it difficult to do so.

TRADERS': So what can traders do to overcome these biases?

Ward: Well, the first step to getting control of them is to develop

awareness. Reading in the area of behavioural finance is very useful for traders as it is all about making good financial decisions – what trading is all about. Secondly, by keeping a trading log and journal a trader will be able to look for and notice any patterns in their decision-making and then identify which, if any, errors they are most prone to. The third stage is to then work on developing the ability to overcome them through developing defined trading strategies and approaches and utilising mental and behavioural conditioning to strengthen rule adherence and implement positive trading behaviours.

TRADERS': Any other tips on how traders can improve their performance?

Ward: Well, of course it is dependent on the individual, what their challenge is and their trading style etc, but some of the strategies I use include firstly assessing what point of development the trader is at – beginner, novice, competent, expert or master – and looking at what they are trading, how they are trading it and assessing what they believe is stopping them from achieving their desired goals and outcomes. Essentially, to be successful traders need to have a trading strategy with edge in the market AND be able to trade that strategy consistently. If the trader does not have a strategy with edge, then I can do little for them – they need trading coaching and I would recommend one. If they have a strategy with edge but are not consistently executing it, then it is quite likely that there are some areas where psychology and performance coaching will be helpful.

If there is a challenge in following these rules, then I would work with them on examining their mental process for doing what they are doing and help them to change that old behaviour to a new one through the use of such techniques as mental conditioning through visualisation and mental rehearsal and by teaching them self-hypnosis; examining their thoughts, beliefs and emotions around these situations and make any necessary adjustments; and also helping them to associate positive feelings with following their strategy through anchoring techniques. There are no magic fixes.

The trader needs to be committed to improving their performance and we then work together on implementing their performance improvement plan and measuring progress until we achieve the desired outcome. Interestingly, I get some traders coming to coaching who are already doing very well, but want to get even better – probably about 20% of my clients. And with these traders we are looking at ways to develop their skills and talents even further, ensuring that they are fully utilising their strengths, and ultimately assisting them to reach a new level of performance. Coaching is there to help anyone, no matter where they are currently at, to perform at higher levels.

TRADERS': It must be very satisfying helping traders to improve. What is your success rate?

Ward: I love what I do. Working with people and helping them to improve their performance is fascinating and what makes it even more satisfying is that traders often say how what we have done together has also helped them in other areas of their lives. My success rate? A tricky one, but I would say that 95% of the traders I have worked with have achieved the goals that we set out to work on, and that everyone gets some form of benefit from the sessions we do.



TRADERS': Do you have any special approaches and techniques that you use?

Ward: My range of strategies is quite diverse and eclectic – I don't have a preferred approach. I draw on strategies and techniques from sports and performance psychology, behavioural finance, positive psychology, cognitive behaviour therapy, solutions-focused coaching, some NLP, sports/performance hypnosis, stress management and also on my experience as an educator and trainer in terms of developmental approaches. I aim to match styles and strategy to the client and their needs – different strokes for different folks.

TRADERS': Do you find that there are common themes in the traders who come to see you?

Ward: Yes, generally there are core themes that traders come in with, but every trader is an individual and what is behind those challenges can be very different. Themes like discipline, that means following strategy and rules, confidence, concentration and focus, overcoming fear(s), managing emotions, dealing with losses and setbacks etc are all very common.

TRADERS': Emotions seem to be a core one for traders – how do you help traders here?

Ward: I think the first point to get over here is that there is a misconception that traders should trade with no emotion. That's a bad goal. Why? Because you will only be feeling no emotion at one point in your life – when you are dead. What we really want is to experience emotions that

are useful to us and support our trading, i.e. are performance enhancing. States such as discipline, confidence, focus, composure. A trader's goal is to be able to recognise what their own Ideal Trading State (ITS) is and then to be able to sustain that state during the trading session.

TRADERS': How can traders get into and maintain their ideal trading state?

Ward: Well, there are two key components. Firstly, what I call the pragmatic strategies. Along with it are counting: Developing high-level competence, because competence underpins confidence. Managing risk, since traders often experience fear and anxiety simply by taking on too much risk. That means: Less risk, less anxiety. Preparation and planning, as it assists with confidence. Focusing on trading execution and not on P&L, because it improves focus and reduces distraction and anxiety. The second component bases on the coherence between psychology and physiology. That means that our emotional states result from our physiology: Breathing, heart rate, muscle tension, and I also include body language and energy levels in here as well as our cognitive processes – what and how we think and imagine.

So for example, someone with a fast shallow level of breathing, high muscle tension, tapping fingers and foot, whilst imagining losing money – might well be experiencing anxiety. Someone with deeper breathing from the diaphragm, relaxed muscles and thinking about and imagining trading well – may well feel more confident. I

try and encourage people to take responsibility for their emotions, to accept emotions as being useful to us, and then to aim to maintain positive states for as much of the time as possible. States such as fear, overconfidence, anger, frustration can all contribute to losing discipline. A really simple and powerful strategy is to get used to 'checking in'. Rate your ITS as a 10 on a 1 to 10 scale. During the day notice where you are at. If your score is lower than you would like, ask yourself what is creating that score, e.g. is it tiredness, hunger, feeling frustrated and what triggered it. This will provide you with some possible action points and you can then work to improve the score, or where needed stop trading. Peak trading, as with all performance, is state-dependent. Trade when you are at your best.

TRADERS': Steve, you obviously have a real understanding of trading psychology and performance. I'm just wondering whether you have traded yourself?

Ward: Yes, I trade the mini-Dow and some FX when I get a chance – which at the moment isn't that often, due to work demands and ensuring I spend time with my family and on keeping fit. I learnt to trade initially as a way to understand how traders think and feel from first-hand experience and then really got hooked by the challenge of it. I like the high-performance feel and being able to look for ways to enhance performance. It is very much like a sport for me.

TRADERS': Do you see yourself ever trading for a living?

Ward: It's funny, a lot of people have asked me that – along with how is my psychology, which by the way is pretty good. The answer is no, not as my living, but maybe in the future on a more regular basis. I really enjoy what I am doing right now, and one of my core values is helping people. I have always been involved in teaching, coaching and training from a very young age – and this is my passion, and perhaps purpose. Actually as an aside, it is important for people to recognise what their values are and their purpose as once you understand these you can then begin to create a more fulfilling life for yourself. This is the case for traders too. Traders should understand their motivations and purpose for trading and build their trading processes around them.

TRADERS': What do you think are people's key motivations for becoming a trader?

Ward: When I ask the question what do you want from trading, most people would probably say money – but when you then follow that up with asking and what would that give you that is more important than the money itself, then we go deeper into values – such as freedom, security, happiness etc. Most people at a surface level probably do enter trading for the money and the possibilities that the money allows. However; many people also genuinely enjoy the financial markets or the challenge of trading as well. The key challenge with having money as a core motivator is what happens when there is no money coming in during a period of drawdown? Motivation suffers. Some people say they want the excitement of being a trader – I advise them to take up skydiving for excitement and then focus on trading which, as we all know, can have large amounts of inactivity – we have to be careful what we ask for as in the words of the great Ed Seykota 'Everyone gets what they want from the markets' – you can get lots of excitement

from P&L swings, but make no money. At a more philosophical level, the pursuit of trading mastery, i.e. becoming the best trader you can be, focusing on learning the skills required and knowledge needed to succeed, pursuing excellence and allowing the results to take care of themselves is a concept worthy of consideration.

TRADERS': So how is your time spent in an average week or month?

Ward: I am really fortunate that I have great variety in my work. I deliver in-house training, coaching and development programmes to trading institutions and banks in the USA, UK and Europe, and also assist with recruitment and selection processes, and trader performance analysis. I regularly provide training and seminars for the London Stock Exchange. Work 1-1 and in small group coaching sessions with traders. I spend time writing for magazines such as Traders' Magazine and for my own newsletter (email steve.ward@schneidertrading.com), and am also currently developing and delivering a very exciting 7-week trading psychology programme with Precision Trader. Details of this you can find at www.tradewithprecision.com. And then the rest of my time is spent reading and researching areas of trading and performance psychology and developing ideas. All in all, it makes for a very busy and enjoyable time.

TRADERS': You mentioned your involvement with trader selection, assessment and recruitment. That sounds really interesting. Is there a secret formula? Do you use any psychometric tools at all? If so, which ones and how do they help you?

Ward: The work I do with trader selection and assessment is really interesting, and obviously I am not at liberty to disclose any particular practices. However, when we look at what makes a great trader there are lots of common characteristics, but ultimately there are lots of different styles of trading, lots of different types of market and lots of individuals who want to trade – the real challenge is getting the right people trading the right markets in the right style for them – i.e. finding their trading niche as Brett Steenbarger in his book "Enhancing Trading Performance" terms it. I am not a wide exponent of psychometric tools, preferring, where possible, to get to meet people face-to-face and talk to them about their trading and find out more through interviewing them, looking at their trading records and, where possible, observation. I do, however, use a tool called TAIS (The Attentional and Interpersonal Styles Inventory). TAIS measures a person's performance styles and the scales cover areas such as concentration, analytical, intuitive, information processing, decision-making, risk propensity, confidence, performance under pressure etc. I have found it particularly useful to compare a person's preferred style to their current trading approaches, e.g. if someone is very analytical and slow in decision-making they may find it more difficult to trade faster moving markets. Getting the fit between trader, trading style and markets is so important and so it is good to get some additional data to work with.

TRADERS': Steve, thanks for a great interview – any final advice to traders?

Ward: Remember that successful trading requires you to have a profitable trading strategy and to be able to trade that strategy consistently – the psychology part. Work on developing both areas and remember that trading is a high-performance activity requiring lots of practice and time to master – enjoy the journey.