

PAIN

Anonymous, [12.05.21 11:04]

Hi Tom, In your lecture you talked about the ability "Do you have a metaphor or philosophy that allows you to break away from the result?". Can you give me an example please, the sentence in the context of trading is not so clear to me.

TomH, [12.05.21 11:14]

Great question

TomH, [12.05.21 11:15]

I focus on my process. The pain comes from connecting this moment to the next moment.

Anonymous, [12.05.21 11:18]

But the next moment will be the moment you know if the trade is positive or negative, how can you break away from the next moment?

TomH, [12.05.21 19:15]

Well, lets take this pain conundrum in the context of the human condition and then compare it to other contexts. I will be as brief as I can – because I need to go soon.

A child burns itself on a hot stove. A connection is built. The context is stove = pain. Next time the child will be reminded by the brain that stove = pain.

That is a helpful contextual reminder, even though not all stoves are hot. Nevertheless, it is a good contextual reminder, in order to keep the child safe.

However, not all context is beneficial.

A woman engages in a relationship with a man. He is an ass to her. If she builds a bridge between the experience and the outcome, she may struggle to trust men again. While no one is suggesting she needs to frivolously throw herself into the arms of the next man she sees, she should at least not let the past experience stop her from seeking and finding love.

When we link "this moment" with the "next moment", we are taken out of being "in the moment". As a trader, this is almost always associated with pain.

Look at the chart below:



This is an up-trend, with a double bottom. The last bar is a classical “new low – close at high” buy signal. I use that religiously in my trading.

The hit rate is probably around 65% - meaning that we can expect 65 trades out of a 100 to offer us an opportunity to get out for a profit or a breakeven trade.

If I look at that last bar, and I am thinking “that is a “new low – close on high” setup, BUT my next thought is “what if I lose”, then you have problem.

The problem arises from having trades in the past that lost you money, or you have lost more money than you care to. If you experience this, then the issue is that you are associating “this moment” with the “next moment” and you associate the next moment with a “past moment” which gave you pain.

Your brain is simply trying to protect you against pain. That is its primary subconscious mission in your life.

The problem with charts – during the research phase is that the “this moment” and the “next moment” is already connected for us. Thus, (see next chart) if “this moment” and “next moment” causes pleasure – during your research phase (studying charts) then you will derive pleasure. However, if it resulted in a losing trade, your eyes would dismiss it. You will probably not even see the trade – because it is the role of the mind to filter out all pain.



The chart above confirms to the typical experience from a research point of view. But in a real-time live environment you don't see this. You see the first chart, and your brain is warning you of impending pain – which will stop you from freely doing what you need to do.

SOLUTION

My solution is home grown. I have thousands of “before” and “after” examples, which I expose myself to on a daily basis – as part of my “warm-up” and “training”. I meditate on staying in this moment right here right now – imagining that I am taking the trades.

Meditation is not necessarily a “closed eyes – candlelight – cross legged”. It is in effect feeling your pain as if it was real, and then dealing with the pain by stating that “we don't know what will happen. Anything can happen”.

Like anything, the mind can be trained to do anything. You can train “sensitivity” out of it – should you wish. That is what elite soldiers are trained to do – constant exposure to extreme stress – and train out of the system the automated response from the nervous system, so that under pressure you can act rationally and stay focused in “this moment right now”.

I hope this helps.

Tom