



Sport, Trading and Poker

Where High Performance Meet

Winning at professional sport... Profitable financial trading... Successful poker...
What is the connection?

The answer is that there are many different connections between the three which I have been able to see first hand in my work as a former sports psychology consultant who has for the last six years specialised in working with financial traders and more recently added poker players to the roster as well. In this article I would like to share with you a few insights into some of the psychological and performance factors that successful people in all three areas share and to provide you with some of the coaching techniques and strategies that I utilise with my own clients to help you to raise your own trading game.

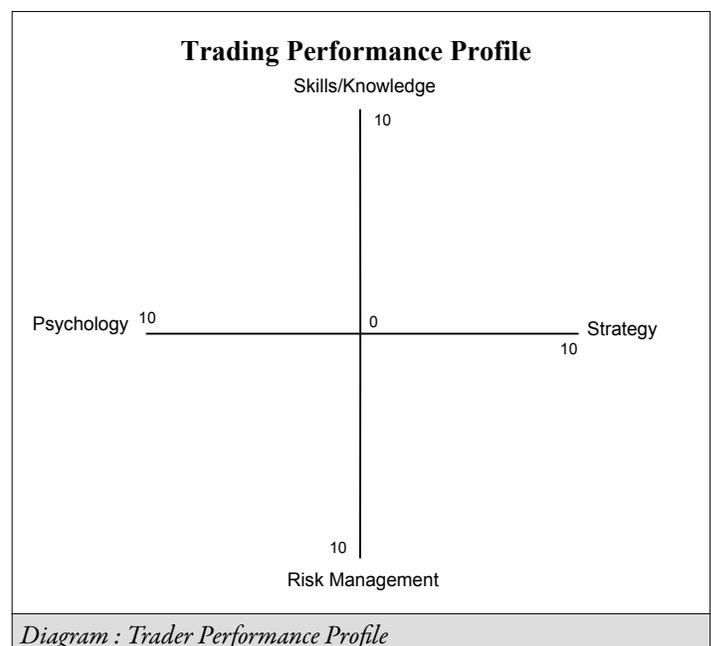
High Performance Is Multi-Dimensional

At the highest levels performance in sports, trading and poker are not simply about skill, there are other factors that determine success.

In sports we can look at performance across four areas or pillars:

- skills/technical
- physical/fitness
- tactical/strategic
- mental/psychological

I utilise a similar framework in trading where the categories are skills/knowledge, strategy, risk management and psychology (see 'Trader Performance Profile below) and I also apply this to poker with risk management becoming staking.



The best athletes, traders and poker players are all willing to take risk, to step out of the comfort zone



☑ RAISE YOUR GAME

Complete the Trading Performance Profile by rating your current abilities out of a maximum of 10 on the diagram, where a 10 would be your 'best possible'.

Once you have marked your score on each of the four scales join the points together to create a diagram that gives a visual representation of your overall scores (see below).

Look at your relative areas of strength and areas for development,

1. Build on your strengths.
2. Address the key areas for development. Take action. Implement new ideas, read, ask people, get some training, mentoring, coaching.

In the book 'Think Like A Winner' author Yehuda Shinar talks about 'creating the conditions and opportunities for success', what I often refer to as 'stacking the odds in your favour'. When you turn up to play in sports or poker or trade the markets even before you start there are things that you can do or not do that will either increase your chances of success or decrease them. One of the most basic and fundamental performance processes that I try and instil within my clients is to ensure that they 'warm-up' or 'prepare'. In trading this means the research and analysis you do, planning and strategy development, looking at possible scenarios that may occur and how you will react to them ('What If Scenario' planning), and also ensuring that you are mentally and physically ready, in a positive state.

☑ RAISE YOUR GAME

What can you do before trading that 'stacks the odds in your favour'?

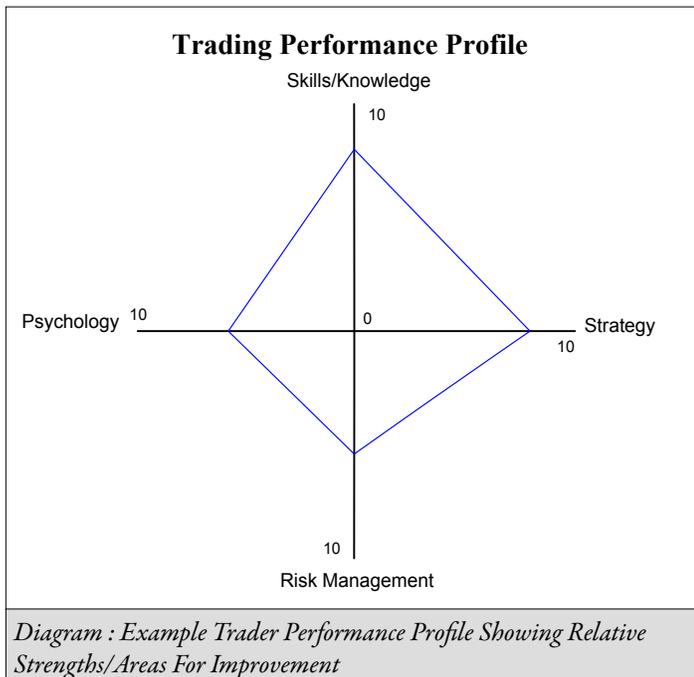
How can you prepare most effectively to trade the markets?

Have you considered the 'What If's'?

Performance Is State Dependent

It's the last few seconds of the game and the basketball player has the ball on the free throw line to make the winning shot. What influences whether he scores or misses?

It's a fast moving market and the financial trader has a few seconds to make a decision as to whether to place his trade or not, and if he does, to execute it correctly. What influences whether the trader executes well or not, maybe even fat fingers?



Create The Conditions and Opportunity For Success

"Victorious warriors win first and then go to war, while defeated warriors go to war first and then seek to win."

Sun Tzu (From The Art of War)

It's a key hand in poker and the player has to decide whether to play or fold. What influences what the player does?

In all the above cases the one common denominator is their mindset. In all three it is important to have the required skills, abilities and knowledge to perform to a high level, however at the moment of execution the most important factor is what is going on internally and how this makes them feel. Our feelings, our state, underpin our performances. When a professional golfer misses a short putt to win a big tournament or a tennis player double faults on match point it is not because of a lack of a skill or ability – it is because their state has changed and their performance is inhibited. When traders don't pull the trigger, pull the trigger too often, trade too big, cut profits, run or chase losses it is not because they do not know what to do, but because they are 'unable' to do so because their state has changed, and their ability to act in rational and logical ways is compromised through a process known as cortical inhibition where blood flow to the frontal lobes – smart brain - is reduced and the emotional brain takes over. Discipline trading is as much a function of emotional management as anything else.

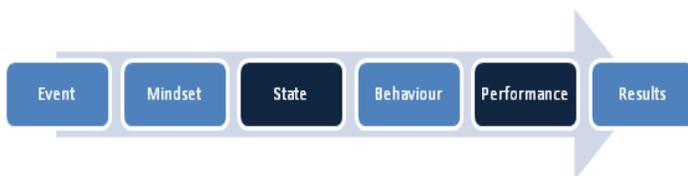


Diagram : Our Performance Is Underpinned By Our State

“Poker is math, intuition, nerves and analytical thinking. The moment that emotion enters the equation is usually the exact moment when the trader and the poker player start to lose money.”
Peter Karroll, CEO of IAM Corp.

Our emotions have a big impact on how we think and this means that being able to make the best decision under pressure can be difficult. The best poker players and traders are able to make their decisions based on logical, strategic thought, with minimal interference from their emotions. Being able to learn to keep cool and coherent under pressure is a key skill to acquire.

In the world of high performance sport the need to help players to regulate their emotions is widely recognised as being critical to success and many teams/nations are now beginning to utilise biofeedback and neurofeedback training alongside traditional sports psychology interventions to assist with this. This is a process that I am currently utilising myself with my own clients, enabling them to develop the ability to establish performance enhancing states on demand and to build resilience to cortical inhibition and what is sometimes termed as emotional ‘hijacking’.

RAISE YOUR GAME

One very simple way to begin to manage your emotions is to begin to create an awareness of how you are feeling and the impact on your trading throughout the day.

On a 1-10 scale where 10 is your ‘Ideal Trading State’ (how you feel when you are trading at your best) and 1 is the other end of that scale, regularly ‘check in’ and gain awareness of how you are feeling.

1 ←————→ 10

Good questions to ask yourself to increase your awareness are:

- Where would I rate myself right now 1-10?
- What is it I am feeling that lets me give myself that score?
- What am I doing to feel this way?
- What is the potential impact of this on my trading?
- What, if anything, do I want to change?

Confidence Is Key

Whenever I work with sports people, traders or poker players and we are discussing mental or emotional states it is an absolute given that the word confidence will appear. Confidence is probably the key ingredient cited by my clients as being critical to performing well.

In sport, confidence enables you to play your best and put yourself into game winning situations - you are willing to step-up. In poker, when you have good cards, confidence allows you to back yourself and even to go 'All In' where required. In trading, confidence enables you to back your own judgement, to take good trades, but also importantly confidence enables you to have the discipline to be selective in your trades, to wait for opportunities.

Interestingly one of the key outcomes of being confident is a greater willingness to take risk.

Learn to attach confidence to how well you have traded and not just to how much money you have made

The best athletes, traders and poker players are all willing to take risk, to step out of the comfort zone. This risk taking is not reckless, it is calculated and intelligent. Embracing risk is a key factor visible not just in top traders and poker players but in successful people across all spectrums of life. Psychologically however

most people prefer comfort and safety to risk. People who lack confidence are less willing to take risk, they are more prone to staying comfortable and safe, and as a result rarely perform to

their potential.

Decisions Making – Know When To Hold Em, Know When To Fold Em

There is a large element of randomness in poker - you do not get to choose the cards that you are dealt – and variance is high. It is possible

RAISE YOUR GAME

Here are 5 steps that you can take to develop and build confidence:

- Develop your trading skills and knowledge – competence is the key underpinning to confidence
- Be prepared – the feeling of being ready and prepared plays a big part in creating confidence
- Learn to attach confidence to how well you have traded and not just to how much money you have made. A tough one for traders, but for those who make the transformation it is a powerful and positive one.
- Become aware of the self-talk you use – your thoughts when negative can be very destructive to your feelings of confidence; aim for a more positive and optimistic explanatory style
- Build on your strengths and successes.

RAISE YOUR GAME

In his book 'Success Principles' Jack Canfield introduces the following formula:

$$E + R = O$$

Events + Reactions = Outcome.

We cannot control the events that happen to us, but we can control our reaction to those events and therefore we can influence the outcome. It is important to recognise that sometimes we have to let go of 'ideal' outcomes as the events we are encountering will not allow for them, and so the goal when faced with any given event is go for the 'Best Possible Outcome'. Having the mental flexibility to be able to react in more positive and performance enhancing ways is a skill shared by top performers, after all our experience of any event we encounter is purely in relation to our own perception of that event.



Susquehanna has held in-house poker tournaments to recruit traders and monitor decision-making skills

to have runs of 'bad cards' and likewise runs of 'good cards' and all you can do at anytime is play them as best as you can. Likewise in sport and in trading we cannot always determine what events and opportunities come our way, we cannot predict the cards as such, so the real skill, and the key to success is how you respond to those events when they occur.

Focussing on the decisions made, and not the results of them, is one of the fundamentals of enhancing trading performance. The key to success in any performance arena is an ability to be able to focus on the process – the how of performance – and to be able to separate out the process and the outcome when you come to evaluating your performance. You can play well in sport and lose and you can play badly and win. Likewise in poker and trading where the decisions you make do not always have an equal reaction on the result or guarantee success.

POKER AS A TOOL FOR TRAINING TRADERS

Susquehanna International Group (A US trading group) has been using poker to teach its new traders since it was founded in 1987, said Pat McCauley, who heads the privately held firm's trader-development program.

Susquehanna has held in-house poker tournaments to recruit traders and monitor decision-making skills.

The trainees learn to use information they see in the marketplace to infer what motivates others, helping them make better prices. It's the same way poker pro Phil Ivey, considered among the game's greats, makes bets based on what he sees among his opponents, McCauley said.

"What professional poker players are really good at is taking this information that's relatively subjective, quantifying it and making it objective, and that's what trading is about," McCauley said.

Source: Bloomberg News: "Harvard Poker Pro Says Texas Hold 'Em Can Teach Traders to Fold"

Ask yourself not just 'How much money have I made or lost?' but 'How well have I traded?'

"The impact of the coaching has been that I am more at ease and confident. I am making better trading decisions. This has led to a leap in P&L as the result of consistent good trading is positive P&L over time."

Trader, FX Forwards, Deutsche Bank

Resilience – Learn To Handle Losses Like A Winner

Very few people in sport win all the time; good traders can be wrong at least half of the time; in poker the variance is so great that very few people at the top level win consistently. On top of this, athletes may also face not getting picked, or getting injured, traders may face extended periods of drawdown and poker players likewise can often have long periods without a good finish – especially in tournament play. What this means is that dealing with losses and setbacks is a key part of the game and this requires a person to be resilient, to be able to 'bounce back', and ideally as quickly as is possible.

RAISE YOUR GAME

I see trading resilience existing on three levels, and ideally you want all three to be strong. Take some time to check your resilience and address any areas possible to raise your threshold.

1. Financial Resilience

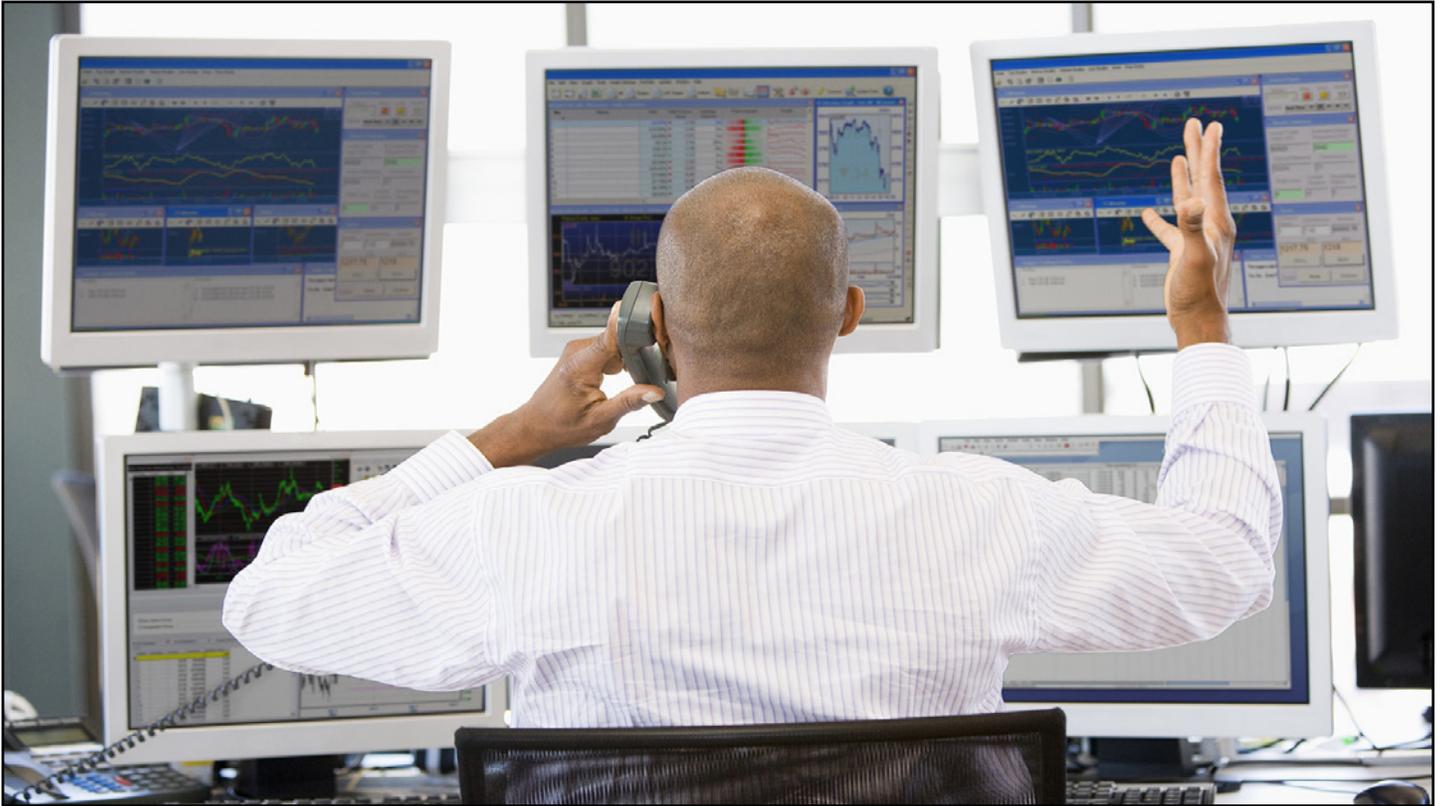
How much capital you have available.

2. Physical Resilience

How much physical energy you have available.

3. Psychological Resilience

Your ability to mentally and emotionally deal with losses and setbacks.



Dealing with losses and setbacks is a key part of the game and this requires a person to be resilient

No one likes to lose, our ego certainly doesn't like it, and so learning to accept this and be able to move on, is a key skill, but not necessarily an easy one.

Conclusion

Success in sports, poker and trading are very rarely accidental and random, it is instead a function of developing the required skills, knowledge and importantly mindset. In any high performance arena there will be some commonalities amongst the highest performers as is evident across our three areas here and as the similarities of the arenas close

together as with poker and trading where making decisions under risk and uncertainty are key then the cross over becomes even more significant. Sports psychology has been used to help traders and poker players. Poker psychology has been used to help traders. Traders have used their skills and abilities to become successful at poker.

Whatever your 'game' you can raise it by focussing on and developing your approach to performance and the mental and emotional component of it.

Steve Ward