



INTERVIEW WITH RANDE HOWELL

Why trading without emotions is a myth



JUNE 30, 2015
THE TRADING EDGE
info@thetradingedge.org

Houston

So, just to kick things off, as I was saying before, and I'm a real big fan of your work, and I've seen you say in many places before, how you often speak about how trading is about, you trade yourself, you know, trading the market. Can you tell me more about what you mean by that? Because that's a very interesting concept.

Rande

Yeah. Ultimately, what happens is that we see through a filter, and the filter that we see through, perceive through, is our beliefs about what's out there, or what we would perceive as what the market is telling us. And ultimately, what you're really doing, is your brain is taking some (UNCLEAR) data from the different senses, and organizing it into a virtual representation based on the observer that you are, based on the beliefs that you are, and projecting that onto the market. That's what you perceive, okay? And so ultimately, what you're seeing is, however accurate your virtual representation, rooted in your beliefs about how to manage uncertainty, is being reflected in your trading account. If you're seeing an equity curve grow up, what happened is, you're showing that your virtual representation, the beliefs that you bring to the act of trading, your performance beliefs, are in fact being able to extract capital from the market. However, if you're stagnant, or if you're losing money, what you're doing is, your trading account is a truth meter, and it's telling you, in no uncertain terms, that the beliefs that you're bringing with you to manage uncertainty are not

effective. So you can use a trading account as – to me, it's the only friend that you really have. It can be brutal, but it's telling you the quality of the beliefs that you're bringing and acting from. That's what it's doing.

Houston

And so why is it that trading exposes, you know, these uncertainties, these fears, these beliefs. Why is it that it exposes them in such a powerful manner? How come is it that people can not just be, like, automitons or robots or just, you know, trade in that non-irrational fashion?

Rande

Well, it's because it's impossible. We are, we are emotional beings attempting to act from a rational emotional state. We are not rational beings trying to eliminate emotions. There is no such thing as freedom from emotion. There is freedom of emotion, when you begin to use the emotions, and once you understand that emotions are biological - I mean, you are literally the embodiment of emotion – and you begin to go, 'Well, if all thinking is emotional-state dependent, then it behooves me to begin to develop the emotional side of my performance mind so that I can use knowledge, all that left-brain stuff, and I can use it in an emotional cocktail that produces that induces a disciplined impartiality in the application of my knowledge. Otherwise, you know, you're going to continually blow up. And there's more to that, that ultimately you are an emotional being. The only time that you do not

experience emotion is when you're dead. And even impartiality, rational logic, that is an emotional state, and it's an emotional state for the management of uncertainty, but it's an emotional state, and it's also very vulnerable. It's what we would call a high cortical emotional state. It's probably been around, probably, for 75, 100-thousand years, and it is easily, easily hijacked by the mother of all emotions, fear, so that's why you can't do it.

Houston

And so why is it that there is a disconnect in the industry, where it seems like for the longest time we've been taught or told that we need to, you know, either suppress or ignore, or just try to act like, you know, like Doctor Spock, you know, Mr. Spock from Star Trek. Why is it that the industry's had such a disconnect for such a long time, between, you know -

Rande

Well there's a – oh, man, you've opened up a whole can of worms. I'll give you what I would call the – I'll give you what, the position that is polite is that, basically it is the enormous ignorance that people have about emotion and mind. A number of years ago, and I will definitely not mention any names, I was talking to a broker and I was just starting out. I was trying to get people to interview me, and just doing all the things you do to create a business, and what I said is, you know, "What I can do is, I can teach the people who are used to brokerage, I can teach them to be better traders. I can teach them to have a

mind that's stable in the midst of uncertainty. And his answer to me, I want you to hear this, is that, his answer to me was, 'Why would I want that?' Okay? And he says to me, 'Listen, I'm going to tell you something. These people, they need to make trades and earn trades. I make money off of every one of these trades.' Now, he's from a time when there was an inexhaustible supply of new rookies coming onto the scene, you know, bright-eyed and bushy tailed and not having any sense. But they though, you know, he literally thought, 'If I teach them how to trade better, they're going to trade less. If they trade less, then they're not going to need me as much. I'm not going to make as much.' What happens is, finally, you burn out your audience, because they keep losing money. But that's – the other part is, I have known that most people just do not want to turn towards their discomfort, and some of the emotions, particularly – The emotions involved with literally uncertainty, of not knowing, all that stuff like that, we will do almost anything to get out of the discomfort, and yet, ultimately it's turning towards that discomfort, but having a different set of skills about being able to deal with that discomfort that's what you ultimately need. Most people don't want to do that. They want to say, 'Oh, yeah, yeah.' And look, Houston, you've been around the block, you've been trading ten years, and you know as well as I do, only somewhere between 2 and 12.5 percent of the traders are actually making money doing this. Okay, and if you hear that, you're going, 'Why in the world are we not exposing this stuff about emotional nature and why are we not teaching our traders deep, foundational skills that allow you to recognize, first of all, you know – The mind that you

brought into trading, it's just simply not going to be the one that's going to produce success in trading, unless you're just one of those lucky, lucky, lucky gene pool recipients. Yeah, one of the freaks. Most of us really have to learn how to override our biology's self-preservation instincts, and, you know, self-preservation's game one to your biological system. And until you learn to regulate it, to calm it down so that it doesn't flare on you, it's going to always take short-term survival over long-term benefit. It's just going to do it. That's the way the system's built. And it's been, basically, in its present configuration as a mammal for about fifty million years. So it's not like it's, it's not like it's just going to say, 'Oh, well, I'm going to change the paradigm I perceive reality through.' And it's not going to do it. You literally have to become the designer of the mind that you bring to uncertainty, because the brain is organized to produce a certainty of survival, and the mind needed for trading is not a prosperity mind, but it's a mind that engages and turns towards probability and is comfortable with probability.

Houston

And I'll ask you more about that trading mindset in a few moments. Let me take a step back. How did you get into coaching traders? So, I've heard your story in previous interviews, but I'd love to hear it again. How did you interested in, you know, coaching traders? Because we're a unique bunch.

Rande

It was a harmonic convergence, is the best way to describe it. I'm a clinical therapist by training, and I had gotten really, really bored with clinical work. It's just, I'm much more into self-development and really developing the potential that you have within you. And in Charlotte, North Carolina, we had a lot of golfers and we have a lot of bankers. And I had been focusing on self-development, performance development with that crowd. And one day a guy walks into my office, and he's having performance issues, which is nothing unusual at all, and he's a trader, and to be honest with you, I had no idea, and I at the same time, I knew that he had – The game, the shtick of what causes performances lapses, whether or not it's golf, whether or not it's trading, whether or not it's chess, there are these self-looming beliefs that lay behind the emotion that you have to get at. And he was in a small hedge fund, and he was having performance issues, and you can't have performance issues when you're in a small hedge fund. Over a period of six months he improved dramatically, and he started referring other people to me, and a couple years later, my wife and I, and my business partner are looking at our book of business, and we're recognizing that we had these highly motivated group of people, these traders that are doing the homework, you know, they are literally, they are excellent students and want more homework. And they were actually a better piece of business than the clinical clients, who you're essentially trying to get them to do homework, trying to get them to do change. So we came to the moment where, it was, it just made better business sense, and it also made a mor

philosophical difference just to start working with traders in the financial industry than it did with clinical people. And now I don't do clinical work. I sit here in my home office, and I travel the world, anywhere from Australia, to Singapore, to Europe, to the United States on a daily basis working with people. They are highly motivated, and there's nothing that gets me more excited as a teacher than to have a highly motivated student who wants to learn how to turn his trading account into equity growth rather than into something diluting his capital. So that's how I got into it, and now, like I said, who would have thought, you know? Serendipity.

Houston

And it's interesting that you say that traders are a highly motivated bunch. Does it make a difference, have you found, you know, based upon the traders you worked with, have you found a difference in their success based upon how they're motivated? So if they're negatively motivated, where they're running away from something, versus kind of being positively motivated, meaning they're running towards a goal? Do you find that changes the dynamic of their success?

Rande

Oh, that's huge. Ultimately what you discover in trading is that the biggest hurdle that a trader is going to have is to get outside of the mindset of controlling outcomes. We have an enormous amount of biological history that is wired into our genetics to try to control outcomes. And it's for short-term

survival. It's for perpetuation of the species. And then we grow up in families, and we develop a psychology that is still trying to control outcomes, self-preservation. And ultimately, what the trader has to come to understand is, Type A's are not going to make it in this business. You know, Type A's want to take action, they want to, you know, I've got to be doing something to be doing something, I'm highly motivated to make a lot of money. What they're not motivated to do is to change the paradigm of their thinking so that they begin to recognize that they never had control of their outcome in the first place. Never. The difference was, the speed of trading was enormously faster than the speed of life. And a person can control outcome, apparently, by, literally, by will power, by just taking action, by doing things, by forcing his will in business, in a lot of professions, or they can control outcome by perfectionism, by not making mistakes. And these two groups become, they can be very successful outside of trading, but they don't see, you know – There are a lot of people who thought everything was honky-dorey in 2006. In 2008, the safe investment had blown up on them and they lost a lot of their net worth. Me too, myself included. And ultimately, you don't see it – It's kind of like, my dad smoked Camel unfiltered cigarettes for 52 years, and everybody was telling him, "Howard, listen to me, it'll kill you." But he didn't see himself dying in that moment, so he was able to push it away, and by the time he really came to the moment of dealing with it, he was a dead man walking. Trading does not give you that option. You are going to find out (UNCLEAR). It's like instant karma, it's there. And what you discover is that you do not have control over

outcomes. That's an illusion. But what you do have control over is the process. Your performance and execution, that's what you have control over, and that's a paradigm shift, because you're moving away from trying to control an external reality, where you're recognizing the only thing you can control is you.

Houston

Right. And so if you're a new trader or you're a beginning trader and you're very hyper-focused on trying to build an account up, because you're trying to, maybe, run away from something or create a new life for yourself or you're trading from the (UNCLEAR) of scarcity, you know, kind of hyper trading, that belief system's going to catch up with you. So how do you develop that trading mindset that kind of offsets that and puts your beliefs into harmony, so you're kind of trading in the right fashion?

Rande

Well the first, the first thing is, you have to come to, at least the way I teach this, I'm not saying that the way I teach it is the one and only way, but what I teach resonates and it works, is, the very first thing is, you have to kind of come to, you have to come to a moment where you realize what you're doing is not successful, and you're willing to cry 'uncle,' and say, 'is somebody here? Can they help me?' To me, that's probably one of the biggest events there is. I have plenty of people call me or write me and say, you know, 'I really wish I'd listened to you. I burned through God knows how much capital, and if I'd only

listened, if I'd only understood this to be true, this would be a lot different.' Well, it's too late. They have to come to the moment of where they're experiencing enough pain okay, that it forces them to recognize, 'the mind that I'm bringing to trading is not working at the extraction of capital that allows me to live a good life.' The second thing is the whole notion of, really, what your mind is and what your brain is, is – You know, in the system I use, you know, literally the brain is a community of rival and cooperative programs that are shaping you into an organism that can survive in a particular environment. When that brain becomes mind, those programs are given voice and so often what you have is, often you have a shoot-out at the corale. Instead of a community of rival programs, what you have is what I call a committee of the mind, where you have various forces that you listen to. If you don't think you have this, listen to the last time you beat yourself up, or the last time you were hesitating, and you got into this about, 'more confirmation, no no, get in, get in, more confirmation, get it again, get it again.' What you hear, is you hear these forces, these different parts of these programs there, and now voices in your mind, and one of the big, big, huge jumps that people make, is they discover that there is no such thing as 'I.' Descartes was wrong. Descartes was just wrong, okay? And so it's not really, "I think, therefore I am." I like what the Buddhists have to say. They say 'Yeah, I think, but who is this 'I?'' And to me, it's that the mind is this community of rival programs, and what you're doing is, you're having to develop an observer that can literally look in and say, 'Well, who's running the committee here, okay? Who's running the

committee?’ And what most people discover is that, is that when they first start waking up and start looking in their mind, is that they, their committee, their mind as a committee is just absolutely disorganized, at war with itself, and you have to wake up, and you have to start really training your mind. So that, the truth is, the uncertainty never changes. You know, the challenges of uncertainty, the struggle of living, never changes. However, what changes is the organization itself that you’re bringing to the management of that moment in time, that struggle. And, in trading, what usually happens is that you get, either a person who is fearful or anxious, and that’s what’s driving their decision-making, or you get a person trying to prove themselves, and make a lot of money fast, Type A. And both those are just out of control minds in the environment of trading, and what you’re doing is you’re saying, well, what does produce it, and you’re going, ‘Okay, well I know, not only is there fear and grandiosity living within me, not only is there judgment, criticism and temptation living within me, but there’s also these much more highly empowered parts of the brain.’ And these are emotional programs. And the second you realize that there is discipline, there is courage, there is compassion, you have to harness them. And they’re there. The deal though is that, and particularly the discipline and the impartiality, these are the elements of higher order thinking that can work in probabilities. If you have a fear based thinking, it’s just simply not going to work with uncertainty and probability. It is going to want to be, even if it is hurting you, it’s going to want the certain answer, versus the one of the not-knowing. It will choose the suffering that you’re

familiar with over the suffering that you might be getting yourself into. And that's why, when you see guys just blow up, and they have a habit of doing it, that's what's happening, is that they're scared to try a new way of thinking. They're stuck in their current thinking, and this repetition that just keeps up, going on and on and on and on. And I look at it knowing, the one thing that you can't do in this business, is you can't take things personally. It's that, you're just looking at a brain that is not organized for success in trading. It's not like the brain that you brought. In another endeavor, it could be highly successful in that endeavor, it's just that it's not successful in trading.

Houston

And so it sounds like it's the ability to turn on or have impartiality and that discipline can only come on if you're able to kind of turn off some of the chatter that's going on in your mind or kind of recognize the monkey brain that's kind of always in the background, but still begin to turn on these other more powerful, I think you called them, archetypes.

Rande

Yeah. Archetypes are, the way I explain archetypes is that archetypes are symbolic representations of the emotional programs. And suddenly discipline becomes ruler. Like, Winston Churchill was a great ruler. Without him, we in the United States would probably be speaking German now. And 'warrior' comes forward as a symbolic representation of the emotional program,

‘courage.’ And so ‘soothing,’ comes out of an emotional representation of ‘caregiver.’ ‘Impartiality’ actually becomes a symbolic representation of sage. These are the archetypal things that Carl Jung talked about. And I just find it – You know, ultimately, what you’re doing is that, the emotional programs, you have to feel the emotions. When you’re feeling an emotion, what you’re actually doing is that you’re experiencing the chemistry of the emotion in your body, in your brain, and it’s altering thought. That’s the feeling of an emotion. It’s very important. It’s not touchy-feely. It is altering the way you think. So the deal is, is what you’re attempting to do, is you are learning how to build an emotional cocktail, based on discipline, impartiality, self-soothing and courage, okay, and for advanced people, intuition. And that’s a whole other thing, is that you can build a mind that faces uncertainty, that does that. Or you can stay in the old pattern, the historical pattern, that you brought to trading, and, you know, out of fear you try to control, out of fear you try not to make mistakes. But at the same time, you don’t approach ambiguity that you cannot make tame from fear or from anger. You just don’t do it. It does it already for you, thinking that things can be fine. Don’t do it.

Houston

And so let’s see, that’s fear, greed and euphoria, those are kind of the three deadly sins you would call them, deadly emotions that can trip us up?

Rande

Well I would actually just say fear, as in fear and anxiety, and greed, sure, but actually most greed that I see would be better called 'lust,' where, basically, you lust – When you see somebody chasing a trade, jumping into trades, that's not greed, that's lust. And then the other one, euphoria, euphoria is a problem, you know, most people would love to have a problem with euphoria. And a couple years ago, I'm speaking to a crowd in China, and I'm talking about the mind that – When you're trading, you do not want to experience fear, you do not want to experience feeling good. And a guy in the audience says, 'Are you telling me that we can't feel good when we're trading?' I said, 'Well, tell me something. What happens when you feel good, when trading, you take the profit. What mind do you bring back to the search for the next entrant? I feel good.' What you've done is you've moved from humble confidence to overconfidence. Euphoria is an emotional state that makes you feel that, 'Hey, man, the good times are going to roll on forever.' That's what happened to the whale at J.P. Morgan, that evaporated a billion dollars. He got euphoric, and out of euphoria, you have testosterone, so you can't make proper risks, and you have dopamine so you feel good. That's not the cocktail that you want creating a mind that trades. Now, it might be great to do it, you know, there's different places where feeling good is a great deal, but not when trading. Same thing with fear, is that you don't want cortisol ramping through your brain creating the kind of thinking of the moment where you're in anxiety. What you're doing is, you are thinking into the future and seeing the bad things that are going to

happen, and what you'll do is you'll hesitate. Or, when you get in a trade, and the thing actually gets profitable, you'll take your profits early because of scarcity thinking, and saying, 'You know, you should take your profits now, before they're taken away from you.' That's anxiety talking. That's cortisol talking. So the thing is, you're wanting to think from discipline and impartiality, but you have to be able to manage the fear, not by ignoring it, but by turning toward it, and re-mentoring – You know, the fear can be your teacher, because ultimately what you're trying to do is, you're moving away from fear as an emotional state that builds minds, and moving towards concern. You'd better be concerned, I mean, you've got capitol on the line. He's risking capitol. You need to have a level of concern that allows you to maintain order of the mind. And you know, fear, though, is what you're seeing is a biological threat, when the biological threat isn't really there. Your emotional brain can't tell the difference.

Houston

And so how do you architect that trading mind? Can you give us another example of that? What are the steps to go about fostering or building this ideal trading mindset?

Rande

Yeah. Well, the first thing is you have to learn how to manage the emotion, the biology, the emotion, and in my work, I call it emotional regulation work.

Herbert Benson called it relaxation-response. It's been known as belly breathing, diaphragmatic breathing. What you're doing is, you're recognizing that every emotion has a biological signature, and fear and anger, you do a lot of high breathing, higher-active breathing where you're holding your breath and you're producing tension in your body. What you're really seeing is the autonomic nervous system triggering the fight/flight, and it's preparing to flee or to fight. And it's (UNCLEAR) the ability to think. You have to catch that, and by diaphragmatic breath, diaphragmatic breathing, you're using the bellows to be able to breath into the abdominal area. That kind of breathing, and anger and fear, cannot coexist. You will interrupt the process of the emotion if you do that. If you practice relaxation, muscle relaxation, you're doing the same thing. What you're doing is you're disrupting the ability of the emotion to grow from the triggering of it to the arousal of it to the flooding of hormones into your system. That's the first thing that you've got to do, and as nice as that sounds, that's not going to solve the problem.

Houston

Right, and I'm a big fan of the heart-rate variability, and I know you've spoken about that in the past. I know I'm a big user of the M-Wave. Do you recommend that to your clients, and what's your thoughts around using the heart rate variability to kind of, like you said, become more mindful of your existing states, and kind of short-circuit that?

Rande

I used to train, used to train people with the M-Wave. And I quit. I quit. There were a couple problems I had. One, it's basically – What you're doing, and I know this is on your website, I was looking at that, what you do to actually get the mind ready. The thing about the M-Wave is that, first of all, it's not getting you readings in real time. It's lagging. The second thing is that, they're coherent. What happens – Houston, the autonomic nervous system is composed of the parasympathetic and the sympathetic nervous systems. One is fight/flight, the other is rest/digest. When you are coherent, the way the M-Wave does it, is when you're seeing coherents, you're way over there in rest/digest, and often you're too darn relaxed to trade effectively. What you're looking for – There's a sweet spot, like for instance, my pulse rate at rest is about 60 beats per minute, okay? The intrinsic heart rate, where you move over into fight/flight is around 90 beats per minute. So what you're doing is you're saying, I need to be somewhere, my heart rate, and it would show with your heart rate variability also, needs to be somewhere between 60 and 90. However, what I discovered when I was actually training with this is that if I get past, say, 68 beats per minute, I'm already nudging over to fight/flight. And what's happened is, you want alert mind, you want focused mind, you want ready mind, but you do not want, you don't want to trigger the physicality of fight/flight. And that's one of the things that M-Wave just can't do well. However, there is a product coming out, hopefully in October, it's called embrace, and I hope everybody just goes and buys this thing, it is a device, it is coming out as a

watch, but it basically was developed to be able to monitor stress levels, and it's doing it in real time. And it's doing stress levels for epilepsy seizures. And what it does is it will actually catch, in real time, the triggering of the autonomic nervous system, translating to the triggering of an emotion. And what it will do, and this is particularly with kids, and the kids would be having it as an ankle brace, something on their ankle while they're sleeping, and once the trip happened, once the arousal had started, the device would call the mom on her phone at night, it would wake her up and basically give her an alert. And this is long before the seizure happens. The mom goes in and can calm the nervous system down and can calm the seizures. That's called the M-Brace, and it uses skin conductants, it uses skin conductants rather than heart rate variability. And the woman behind it, and the group behind it, they're MIT engineers, they're just, they found a sensor that does really powerful stuff, and I'm going to be adapting it so that I can teach it, because I have a whole, I ultimately teach our system around when you see a system happen, like a telephone call is a signal to me, or where you see a signal in your trade or when you see a particular indicator light. I am actually training people to regulate the mind right there, in that moment, so that the methodology in your head-game basically merges at that time. It's really cool stuff. I literally can't wait, and it's just it was getting so darn expensive developing my own, and then you read about somebody, she's already solved the problem. Suddenly it's just, it makes more sense to wait a few months, than to, than to keep spending money on it.

Houston

It's amazing, the technology that, yeah, the technology's going to be just, yeah, incredible overlay into what's going on with our trading selves as we execute our trading plans. So, what do you think – So, I see a lot of bad advice from cyberspace about traders and, 'You know, you've got to raise up your heart rate, you've got to do some jumping jacks before trading, pull-ups, some squats, something to get ready. Sounds like you're saying it's probably not a good idea to get too worked up, because you're going to trigger a cortisol response as you're getting a little over amped-up, is that right?

Rande

Well, it depends on how you do this. Let me explain it to you this way, okay, is that I worked with a manager in Singapore. And if you know anything about portfolio managers is that they wake up anxiety ridden. And by the time they get to work, they're messes, okay? At any rate, what happened was, it was really weird. This guy, he said, 'It's just really weird, I was just in a fog all morning long, then at lunch I go for a run, and then I come back and I can think clearly.' What he's done is he's burned off the cortisol, okay? And what he's had is a relaxation response back to homeostasis where he can think clearly. And what we did with him was that we had a morning run. We were not doing it to pump himself up, but what we wanted to do, we wanted to get the relaxation response, where basically you have that sympathetic system go off, you know

that it's going to go back to the parasympathetic to calm down to a peak performance level, and he was able to monitor it that way. Now people getting cramped up when they're going trading is crazy. But at the same time, during a day, if you're – Ultimately, an emotion is any disruption to a standard sensorial pattern the brain has already created, any deviation to homeostasis. An emotion automatically arises, and then it goes to arousal, and then it goes to the feeling state, where the chemistry, it is no longer building up, it is flooding the system. And then comes the action, the motivation, and whatever meaning is behind there. But the interesting thing is, if you catch yourself where you don't catch yourself where you interrupt the arousal of an emotion, or if you're in euphoria, the worst thing you can do is continue trading. I mean, your brain's already cooked. It's not fit to trade at that moment. At that particular time, exercise is really a very good option, because what it does is it accelerates the burn on the chemistry of the emotion, to burn it out of your system so you can come back to a homeostasis moment where your mind is on line to be able to trade effectively. And all this stuff – Once you understand, the emotion is chemistry. That's what an emotion is, it's chemistry. And you're just simply managing the chemistry, and when it gets over – when it just gets too cranked up, you've got to calm it down somewhere. You've got to put some water on the fire.

Houston

Yeah, that makes a lot of sense, because the context really matters, like you said there, so I like how you're being really prescriptive with like, exercise and how

you're injected into a daily routine. That makes a lot of sense. So going back to the trading mindset, so the first step is, so you said like, calm the emotion and the physical state.

Rande

Yeah, and what that does, that allows you to get to the door of the mind. It doesn't open that door, it doesn't help you in that mind, but if you don't learn to regulate the emotion, you're never going to get to the mind anyway, it's just that simple. And then, you're going to have to develop a mindfulness practice, okay? You're going to have to awaken the observer, the observing self, and however you do it – You know, I have a specific way that I do it, that has proven very useful, and ultimately you begin to see the mind as you begin to open the door to the mind, and suddenly the observer, with some distinctions, you start looking, you start having an idea of what you're looking for, which is one of the problems with most people. They don't have an idea of what they're looking for. And the first thing that I do is I have people look for what I call the adaptive voice or the orphan and the inner critic. And if you go and you understand, and you take a look at the Chinese yin and yang, what you discover is that there is a destructive element to the self. There is a constructive element to the self. Ignoring that destructive element is dangerous, and most people do. They don't want to turn towards – And this is where you start discovering that the woes of trading can be boiled down to four self-looming beliefs. One is of your inadequacy, two is your lack of mattering, three is your lack of worth, that

you confuse hard work with success, or powerlessness. And all human beings have these problems. It doesn't matter where you're from, this is just – The Hindus would call it the wound of your existence. The Christians and the Jews would call it, you're born into a broken world. You know, if you're existential, you would call that existential angst. It doesn't really matter how you frame it, but what you're doing is you're looking at it and you're going, 'I need to turn towards this, and regulate it. I know this is my internal struggle, and I also know that when I'm listening to the criticism and the judgment within myself – and if you don't think you have it, and you're pretending that you're a positive thinker, last time you beat yourself up after a mistake, that's your performance beliefs, and that's your inner critic, and that's your fearful orphan, okay? And what you're doing is you're recognizing that you have been really asleep at the wheel. But in awakening the mind, you start saying, 'Okay, what I need to do, this is the history that I got born into. This is the suit that I just showed up in, and this is all I know. This is all my brain knew putting me together the first time.' It's nobody's fault. It's my responsibility though, is saying, 'I know that I have these other programs within me, and I need to start developing them, so that, not only do I have the fear, not only do I have the judgment living within me, I also find it's discipline, it's courage, I find it's self-soothing, and I find it's impartiality. And I teach, the way I teach this, and I really get serious, far superior to anything that I've seen, is what I've used is neurobiology, it's memory restructuring, wherein what you discover in memory is that there is no such thing as video memory. It never existed. What you call memory is

actually your brain taking the experience, and then actually then coding it based on the observer you are and based on the emotional state you are into a memory, that is stored in various places in your brain, and then when you recall a memory, what you're doing is, based on that server, based on emotional state, the memory comes together differently. That's why memories morph over time, that's why they become corrupted, and God knows what really happened. But what I do is I teach people how to go into moments of where they have been really challenged, where the outcome was uncertain, but they were able to push through it. And what I do is, I teach them how to get at the emotional program that was in that moment that allowed them to do that. Most people don't, that's not the way they remember a situation, and I'm not interested in the way the brain initially coded that experience. I'm interested in how we can re-encode, literally from awareness, re-encode the memory so that we can have access to these elements that were there as part of the performance.

Houston

So you're changing the charge of that memory. Maybe it was a negative charge before you changing the perception of that memory to something that's more empowering, is that right?

Rande

Well, you're not, there's no hocus pocus here. The thing is, is that it really did happen. It did happen, and that's the difference between visualization and affirmation. And affirmations and visualizations, you're wishing for something. But what you discover though, is that in the midst of the fight, in the midst of struggle, in the midst of all that uncertainty, visualization and affirmations break down. However, if you're using memory enrichment, where you're going in and you're going, no, this did in fact happen, I remember it happening, I know for a fact this trait is a five-trait, it's within me, and I can learn how to call it forward. And you're doing it by feeling it out like that. Then visualization and affirmation become very useful, okay? The key is, what you're doing is, you're going into the memory, and you're altering the way your brain encoded it. You're not fabricating the memory, like lying to yourself. What you're doing is saying, 'I'm very clear these elements had to be in place, or I would never, the memory wouldn't have formed that way.' As a matter of fact, I can go into the memory, slow it down, and I can feel these different components. And that's the one that I do that's very powerful, and I actually learned it because I was failing a trader a number of years ago, and he was working hard. He was doing everything I was asking. He was a good student. The problem was the teacher. And I was using a symbolic representation model that I had always used, and I finally came to the moment where I realized that this guy wasn't capable of symbolic representation. He didn't have a visual component or an auditory component to thought. What he had was a feeling

component, a kinetic component, and what I did is, I realized – I used to debrief victims of violent crime for court, and I got hired to do that because I could get cleaner memories that stood up to the rigors of court a lot more than detectives and other therapists. And what I was really doing was, I was not creating false memories, is what I was really doing. And what happened is, I realized that I could reverse that process, and instead of getting clean memories, what I could do is, I could get memories that were focused on certain aspects of that experience. And I could bring them forward, and we could start building a mind out of that chemistry, rather than the chemistry that the brain encoded.

Houston

So you basically have these restructured memories that are now positive, and you can kind of pull up on call, and that's the foundational layer for the archetypes that you can then begin to insert into your committee, is that right?

Rande

Yeah, well, only what happens in my work is that the most important thing is getting at the feeling component of the emotional program. And I use that for memory restructuring, okay? If you have that, you've got the chemistry. You've got the chemistry that creates the mind. And what's crazy is that, then if you can add symbolic representation to it, say, Winston Churchill becoming representative of discipline – And by the way, I define discipline as maintaining order under pressure, okay? There is a role. And suddenly you have what really

separates us from the rest of our animal kin, is you have the ability to use symbolic representation as an image to trigger that resonates with this emotional program, but you have to have the feeling state of the emotional program that, that's there, and you have to have both associated with one another. You're just not going to have archetypal action figures running around in your head, and all you have to do is think of the action figure and there you are, that's not how it works. But you have to come down, and that's why I ground stuff in the body. And literally in the biology of memory, we know that the body performs in this uncertainty in such a way that was uncommon, but we're not caring if it's not habituated, we're going to rehabilitate the way the mind responds, the brain responds to uncertainty. And it's really cool to watch. Suddenly you realize, 'Oh, when I do this, what I'm gaining control of is the process. I gain control of the mind that I'm bringing into the moment of management of uncertainty. And that's where you gain control, and basically winning or losing at that particular moment is immaterial. The real key is, if you have an edge, you know, if you have the ability of saying, 'Probability is on my side,' that's the theoretical end of it and that's your method. Then what you're doing is, you're coming over here and saying, now I'm going to build the mind that is able to harness that edge. The mind itself becomes the holy grail. It becomes the edge that suddenly you're no longer chasing what is impossible to conquer: outcome. What you can conquer, literally, is the self that you bring into the moment. I'll give you an example, Houston, it's a really good example of this, is that, several years ago, I'm watching field and track Olympics, and there's this American

sprinter who's got all the heights, he's got all these stuff, and they're hurdling. He's hurdling. I like hurdling because I attempted to hurdle in high school, and you discover it's an enormously difficult feat to teach the body how to do this, and Randy did not teach himself well at all. But I had an appreciation of athletes who can train their body and mind to do that. But anyway, they were talking about this American guy, he was going to do everything, all these announcers, all these guys, they're just talking about what a great guy he is and how he's going to win. They've already written the script. What happens is that, you know, they get ready. The gun fires off, and he does blow away the field, and he does set a world record, and he does win gold. And after a hurdle like that, after a race like that, he's on the other end, and he's huffing and puffing and he's getting his wind back. He finally gets it. Then all these journalists and these announcers get around him and they stick all these microphones in his face. And they were saying, 'What was it like, what was it like, what was it like?' And this athlete's looking at them, going like, 'What?' 'What were you thinking?' and he's looking at them, and they go, 'What were you thinking, did you know you were going to win the gold, did you know this?' And he finally looks at them and says, 'You want to know what I was thinking?' The whole world wants to know what he was thinking. 'One, two, three, four, one, two, three, four, one, two, three, four.' This man, no doubt, has a team of coaches surrounding him that 'one, two, three, four,' has synchronized a way of the body moving through time, okay, that's probably been ten years in the making. There's no doubt that 'one, two, three, four, one, two, three, four,' is

something that a sports psychologist used to train him to produce a performance mind for this moment. He was not thinking in the future. He was not thinking in the past. He was present, 'one, two, three, four,' he was executing, he was controlling the one thing that he could control, his execution. He was controlling process. The journalists were very disappointed with this interview. He was just like, 'No, that's what I was doing, one, two, three, four, one, two, three, four.' And then, later, he's on the podium, he's getting the gold, he's taking his lap around, he's got the American flag flying, and he's jubilant. He's jubilant. And they finally interview him, and he's talking about the outcome goals that his team had built eight years ago that finally came into fulfillment tonight. It's not as if he didn't have outcome goals, but he was not acting during the performance on outcome goals. He was acting on performance goals controlling process. By doing that, he was able to achieve the outcome goals. In the same way, the same thing with the trader is, if you have a methodology, in theory, that really does have an edge of probability to you, and you develop a mind that also has an edge, by being able to stay in the moment, you don't have to worry about winning or losing. That's not there. You know the money is going to take care of itself, and ultimately, if you were to take a loss, you really begin to ask some very simple questions. 'Is this a method mistake? No, I would have done the same thing. Is this a psychological mistake? No, I was steady as a goat. Oh, this is just landing on the wrong side of probability. Then, if you win, you're not taking credit for it. You know, what you're saying is, this is just, I landed. Because of my edge, I had a better chance than even of

being on the side of winning than on the side of losing. I don't have to take credit for it. I don't have to get worried about it, I just, next. And after all the days, that when you can go have fun and you can do anything you want, but while you're there, in the moment, it's all process.

Houston

And I think, intellectually, I think, I think we all get that, but I think it's so hard when you're in that moment, and you were describing before, you know, when you're – You can intellectualize these different people in your committee, who are kind of functioning at different levels, but until you kind of get it into your core memories, and make it more kinetic and connected, it's just a thought exercise, right? So I'd love to hear more, maybe at another point in time, more about your programs, because they sound so interesting and in terms of how they can turn around a trader.

Rande

They, they – You know, I'll tell you, it's really interesting. What most people discover is that, they discover that this really isn't about trading. This really is about their life. It's about how you engage and work with life, and it just so happens that what trading gives us is a near black and white truth meter about the effectiveness of the virtual simulation that you've created and that you project onto reality. And it creates a – trading is the most powerful route of self-discovery and self-mastery that I have ever come across in my life. And

it's something where I get – I love teaching it, because I love teaching it. I don't have to hear anything about Tony Robbins, I don't have to hear anything about all these guys, all this stuff. It all comes down to trading accounts. If you buy the assumption that your trading account is reflecting the effectiveness of the beliefs that you're projecting onto the market, okay, then what happens is, there's no B.S. You know, we have a black and white barometer that is allowing us to get into the belief system of performance. And I promise you, this is all about your beliefs, your ability to manage and prosper in uncertainty. That's what this is all about.

Houston

It's kind of like – The other analogy I was just thinking of while you were saying that is how trading is also, how you could relate it to also being like a blank canvas of art, and art canvas. And whatever comes out of you in your art, if it looks terrible then it's just a reflection of where you are as an artist. If you don't like it, you can't curse the art.

Rande

Right. And what it's doing is, it's revealing – If you look at it, if you have – You can either like or dislike it – if you look at it and go, 'What is this revealing to me, it becomes a much more interesting – You become designer of the possibility of who you are, rather than being stuck in a history that's basically talking to you. Ultimately, from my perspective, is that you do not

have thoughts, you do not have beliefs. In fact, they're having you. And until you finally grasp that, then good luck with your trading. Because the mind is a very powerful instrument, and Einstein said it well. He said the intuitive mind is a gift. The rational mind is the help. It's the servant. What we have done in the modern world, we have trashed the gift, and we have taken the servant and made him king. And that may work in a lot of circumstances and a lot of endeavors. It's not going to work on a quantum level in trading. That's fundamentally what it amounts to, is that the emotional brain and the left brain have to work together, they have to harness together, because all the left brain's going to do is going to produce an explanation that explains what the right brain has already decided. I mean, if you're hesitating, you had good reason to hesitate. You had good reason to want more confirmation. At the same time, it's just an explanation. There's your left brain.

Houston

Yeah. So fascinating. So Randy, I want to be mindful of your time, because we're a little bit over, if we could maybe just fast through a few of our last questions too, if you don't mind. [59:08]