



INTERVIEW WITH BRUCE BOWER

Achieving Peak Performance in Trading and Investing



00:04 Houston: Hi Bruce, welcome to the call

00: 07 Bruce: Hi Houston thanks for having me

00: 09 Houston: Absolutely, how are you doing today?

00:12 Bruce: I'm doing great, Happy Monday as always? So, how about yourself?

00:18 Houston: Yeah it's a pretty good Monday. And for the folks on the call Bruce is actually dialing in from London that's where he is based out of so he's been generous enough to call in during his evening hours.

00:30 Bruce: Yeah, yeah thanks for having me it's my pleasure.

00:33 Houston: So before we get started today and for the persons who've not seen your blog or read your book, which we'll talk about in a few moments. Maybe we can just spend a few moments to tell us a little bit about yourself: What's your trading back ground? Do you have a, maybe funny story or an interesting story to tell the audience today or maybe tell us what you doing today around trading, what keeps you busy and what keeps you active?

00:57 Bruce: Sure. Well my background is from the U.S; I grew up and went to college in the U.S. and then when I was in college, I heard about this dream job that was offered by a place called Citigroup. And this is kind of a legacy, because they used to have Citibank and then Solomon Brothers and they merged then there was this artefact left over from Citibank where they would hire like guys right out of college (**01:27 Houston:** Hmm) and give them big risks immediately, you know and let them go and if you did well then it was, you know, a gold mine. So I interviewed for that job I wanted and I actually got it, and then that took me to London because that's the centre of the ethics trading universe so I started out, you know – I'm in London an exciting city, it's a great job, great resources around me. You know wonderful people, really smart, really interesting; I could learn a lot from them.

02:01 Houston: Yeah

02:02 Bruce: So, it was a great situation and I totally screwed it up; (**02:04 Houston:** hmm) so I lost money in over the space of about three years. So by the end of that I was despondent, you know, I was really angry at myself because this is a great opportunity I really enjoyed it but I wasn't cutting it. So that was a very frustrating experience for me as a trader especially considering I'd been trading my own money when I was in college and I made money. Then I went on a big exploration: What was I doing wrong? What can I fix? What do I need to do better? You know what do I need to learn? All sorts of questions and I sort of hit the reset button, I got a job with a hedge fund in, it was based in London and I ended up moving to Moscow with them. And in that time, you know, I was learning new markets and that was a

chance for me to really start with a blank slate, so I did years of exploration and research and started to figure some things out. And then, you know, I was in Moscow, which is a pretty small investment and trading community so I started a blog, just started dialogue with the rest of the world and, you know just to get my thoughts, my ideas out there and to interact with other people. And that grew into, into a blog where I was updating it every day or every week and then I was interacting with, I was guest hosting with the guys from SMB, which is into day trading stock but they're a, you know the lessons they teach are really about peak performance and developing expertise and mastery. I ended up writing a book based on some of the ideas in my blog which came out last April and it's called "Peak Performance Trading and Investing". So that's kind of my brief story and really at the time my, you know losing money and screwing up this dream job was an awful experience, you know it sucked (inaudible4:02). But in the end it became quite a blessing, because I had to settle down and work harder than I ever imagined and learned more than I ever imagined about the markets, about myself, but it turned in to... I felt like I had a very solid base, you know, in markets, a very solid based in the mental game and every other aspect of the markets of trading and investing, and that laid the grounds for future success and what I'm doing now is in Russia for many years, I left the country and then I started working for my previous firm, basically managing my own money and, now I'm doing some other projects.

04:45 Houston: That's excellent...that's a great story so, maybe a couple things I could (inaudible4:48) of that initial, like that initial (inaudible4:55) to your own trading. What do you think was some of your weaknesses that kind of lead to that kind of difficulty there when you first started out to, was it too much too soon or was it just...what do you think was that, you weren't prepared for?

05:14 Bruce: The biggest thing was: I didn't have a plan or, you know I had a vague plan, but it wasn't game ready so if you don't, as Benjamin Franklin quipped: "failing to plan is planning to fail".

05:30 Houston: Right

05:31 Bruce: So without a plan you just you don't stand a chance (**05:35 Houston:** yeah) and there are a bunch of reasons why you need a plan: one is, you know, as you alluded to human beings have weaknesses when they are making decisions in the markets, you know there's all kinds of biases that get in the way, intellectually, we are very lazy. Just as human beings we like shortcuts instead of the hard path. We can be, if we don't have a plan then it's hard to stay consistent etc etc. so I just didn't have a good enough plan to start out. Part of it is because I didn't have enough experience to know what the right plan would be and to trust it fully. And also that was compounded by the fact that when I got into a hole, I started trying to "make money" and then I would do something and just compounded things. That's what I would say

was the biggest problem and you know it hit me when I was reading, the market research books. Every single guy, they interviewed said you have to have a plan and it has to be your own, it has to be your own, it has to be suited to you, your strengths, and your personality. Then I thought about it and said "what is my plan? How is this suited to me? I don't really have one" and that's when I really started to turn things around is when I realized okay I need to find a plan and I need it to be workable and a good one - workable in terms of making money from the markets and also workable for me.

07:07 Houston: So at Citi the, did they give you 100% discretionary? Could you do whatever you wanted to do? or did they give you like a framework of some systems and say alright you are allowed to do this or that but here are limits around what you are allowed to invest in or trade in?

07:25 Bruce: I was on the fixed income foreign exchange desk so I had to stick within basically rates and currencies. And then I had risk limits, so there was this interest or risk that I could take, there was this much FX risk that I could take. That was it like there was no style I had to follow there was no system that I had to use it was very much up to me which in retrospect I thought I'd be better off with training wheels than being out there by myself, but so it was yeah again so if you can do it then it was a great opportunity.

08:05 Houston: So that's an interesting environment, so how many people in that environment actually went on to become successful, you know what was the dropout rate; was it a high dropout rate or was it just some people who were kind of wired properly and they could just be success right from the get go. I'm just curious about that.

08:26 Bruce: I think that, I think that the, well in terms of people who had like pure risk taking roles as opposed to market makers and markets maker back then before (bulk our own stuff) would make a lot of risks but I was pretty much, there was one pure risk taker a year and then the dropout rate was actually quite high and then the people who start off in market making desks actually use this quite well and there are actually good reason for that is that if you learn just to trade the franchise you know so they offer, you know they make money off of custom business then your confidence grows steadily because you make some money and then also you start to (inaudible) risk because your customer business isn't to leave you with some positions you know like the customer pays you and like, I'll give you an for example the interest rate went (inaudible) the customer lends to you in three months then they borrow from you in six months then another customer borrows from you in six months so all of a sudden you have a position in three month six month interest rates. So you are taking risks just because the customer put you into that position. So, you start, it's a nice training wheels way of getting into taking risks, and in retrospect it makes sense because more of the guys who are starting off that

path are actually successful they had a nice glide path, whereas I think for me it was probably too much of an ask but you know, I wouldn't change it for the world.

10:10 Houston: That's great, and, so what's your...we'll talk about your book in just a few moments, but tell, what is your take about finding the right style for yourself, is there any... I guess the second part of that question is what is your thoughts around swing trading versus trading with live money; is a good idea to just trade with a little bit of capital so that at least you can feel those kinda psychological pains when you lose and when you win or just what are your thoughts on those two elements?

10:48 Bruce: Yeah, what works for me see, it's a long story but I ended up switching products sets so instead of doing rates and FX, I did equities and I think for me equities just suited my personality a little bit better, there's more story and there's more kind of ...there's the more dramatic and the more volatile the moves and I think that, that for whatever reason just suited me better. I don't actually know why but I just seemed to like it more. That helped and then after that it was really about finding a plan that worked and but I talked about my book in a few of my blog posts, actually if you are looking for a plan when you're just starting out – copy; and then intellectually, people think it's doesn't sound rigorous but if there's something out there that kind of works and it looks like it would you – just copy it. There are a couple of reasons why: one is that if something is out there that works, don't reinvent the wheel and then the second thing is that you know, you as a beginner its more difficult to learn how to execute the plan properly so you can plan the trade all you want but you must be able to trade the plan, you must be able to carry it out according to specifications. And this is a long way of answering your questions and I think that that's why, that's why you should trade with real money, even if it's in tiny because there are emotional downs and you need to be able to learn how to execute that plan with real money, you know, even if there are emotions. You need to be able to say this is the game plan and youre gonna stick to it no matter what and you can sort of refrain the game almost to be one of "Im going to make the right decision and im not going to sink in the short run at least and won't think about the ups and down of P&L what do I need to do right here right now, what does the plan call for? And it's easy, it's really easy to do that emotionally with simulating or paper trading, once there's money involved the emotionality starts and it can become more difficult and then gradually you build up the capital that youre risking and then you sort of build up your emotional tolerance. So to give an example, I was a Russia focused fund manager for a while and then with my money I started doing more emerging markets so, South Africa, Turkey and Poland and all of those places. And I started off with tiny amounts of money - really inconsequential. It was like I'm saying; it was to test it out. The other markets are different, how they work is different. And then after a while I put in more money because I felt that I was on the right path and I could take more risk, but yeah even when I was a professional fund manager for a while even when I was starting out in somewhat uncharted territory. You

know I kept the risk smaller but it was still risk (**14:09 Houston:** Yeah) So I would learn like trial by and fire so that it wouldn't do any lasting damage to myself if I did something wrong.

14:18 Houston: Yeah, that's great practical advice, something about having a little bit of skin in the game that just makes it a whole lot more realistic and not just the way that we encode that into our memories or the way how deep we think once there is live money on the table but this trading (in audible) doesn't seem to have the same effect as trading with live money.

(Inaudible14:45)

14:51 Bruce: Yeah, money is a very emotional thing whether we realise it or not and so what you doing once you start putting money on the line is raising the emotional stakes and that engages you it's like, you know if you read a bunch a facts and figures versus reading a story, you know the story has emotional content, it engages you more so it's the same thing and its interesting, a lot of the troubles that people have when they first start out in the market it's because of that emotional content to say even if they are risking \$5000, they have a 5000 account, they are risking a hundred dollars on a trade and then they think Oh my god, I just lost \$100 - that's you know a nice dinner out; (**Houston:** right) but scale the stakes up, they a \$500000 account and they lose a couple thousand on a trade they think Oh my goodness, that's a nice vacation but your mind, if you aren't trained, youre not sort of practiced in this then your mind starts racing and its Oh my goodness that's actually a lot of money and you know what does that mean and that's where greed come from right, you know you say you have a \$500000 account and you make \$25000 and you think "hey this is good, pretty soon I can quit my day job, I can build this (inaudible16:05) and your mind is off to the races ...that's why you gotta take it easy emotionally speaking and ease into it because...but that's also why it produces engagement and the way to balance it is by starting trading small and gradually working up so you can handle it and if you put too much risk on and then you can't handle it and you make the wrong decision or if you put no risk on then you don't care because there is no emotional content to it.

16:39 Houston: Yeah I think its common in (inaudible16:42) the most influential one around is the power of loss aversion versus, I like... this greatly supersedes I guess the feelings that we get when we make a little bit of money.

16:59 Bruce: Hmm...yeah

17:01 Houston: We were scared when we lost a little bit of money but I think you just mentioned you know the take away from what I am getting from what you are saying is just how important it is to be deeply rooted in good decisions, right? ...so let's talk about that now. You know you have a great book called, like you mentioned already: The Peak Performance in Trading and Investing, it's really a book that's full of...chock full of stuff ; I think how much time

you spent researching that book but there seem to be so much content in it around decision making, how to make good practice, how to visualize, how to build good habits, goal setting, printing a trade plan and I could go on and on and we'll talk about these things in a few moments but what again, maybe you could just tease out a bit – you do spend a lot of time writing about trading and decision making. So why do you make that analogy, why do you link those two together? Why not treat this as more of a shooting from the hip and picking the set ups and leaving it at that?

18:04 Bruce: Well, I mean if you think about it, the goal is obviously to make money but the reasons why I emphasize decision making is because making money is the output, its – there are two inputs really, there's your actions and then there's the markets. Now with the markets there's always an element of randomness and chance; you could buy a stock and then God forbids something happens, the CEO dies in a plane crashed or they pre-announce earnings that are bad or whatever and you lose money. Even if you had the best thought out position there's still the chance that something goes wrong and you know to some extent you can't control fully the outcome so what you have to do then is to focus on what you can control and that's making the right decision. So Michael Mauboussin has written a bunch of good things on luck versus skill and he says where there is an element of luck, focus on the process and that is the process or the skill that we are using that we can control that is making the right decisions in the markets. Now we can control making the right decisions and then that plus the market means that you should make money but on any one position or one instance, that doesn't mean that the right decision will make you money it just means that you have to make a right decision from a statistical standpoint. Statistical meaning, if I do this, make this decision 100 times, after 100 times I'll probably still be ahead. The other reason why I say focus on making the right decisions is so that you're rooted in the process and you're not paying attention to making money, you're tricking yourself into not thinking about money and what's the right thing to do now so you know, what you just mentioned about being focusing on set ups, that's a subset of making the right decision but it also keeps you rooted in risk management and so if you have a loser, and this is in opposition to human loss aversion biases where we don't want to fix a loss because that would actually be taking the loss out and that hurts; and that said the right decision is that you know, I put down a position, its going against me, it's not , this is my level where I get out and you're out. And that's the right decision to make even if it's not fun, even if it doesn't make money, it's because you lose at a certain point – it's the same thing if you look at Michael Bellafiore's Playbook he talk about how different traders and investors have different set ups that they do (**21:02 Houston:** right) and for each of them, the right decision is if steps one, two...six are in place then put on the position. So that why I've casted decision making as the right because what we are doing and what we can control is making the right decisions in the market and then if you focus on making the right decisions then you'll combat all the things that get people in trouble like emotions, like biases and then also I would mention

that not having a plan. If you're making the right decisions that also means sticking to your plan or at least improvising in a way that is in harmony with your plan. So, yeah, the more you think about the more that you stay focused on making the right decision then yeah the better off you will be, long term.

21:56 Houston: Yeah, and I like that you just mention there, it all fits within the overall scope of your trading plan and in the book you also lay out several trading plans from kinda amateur to a more professional and I definitely would recommend folks reading that section and if you haven't built your trading plan yet, just have a look and see what kind of..what would constitute a good plan. What do you think it is, how do you think that so many people, and you hear it all the time, most people when they just start trading they usually don't have a trading plan (laughs) and I think some, I think they get some kinda a pain before they think they can build a plan, what do you think, is it just an understanding of just the misunderstandings of how to be a good trader or is it just not having the right education when it comes to trading; why do think most people still operate without a plan. Do you have a.....

22:47 Bruce: You know, that's a really good question; I actually don't know, I've started to a lot more research about beginners and what's important to them and how they get started and I think that for most people they just underestimate the challenge involved and everyone knows of somebody who took a lot of risk and basically, the market equivalent of betting on black, it's the roulette table and made money (**22:22 Houston:** right) and so they hear that story and they go "oh this is easy, I can do that too" and so stories like this they, we forget about the guy who lost it all, we only hear about and what sticks in our mind is the guy who made lots of money (**23:38 Houston:** right) and that leads people to underestimate the challenge involved.

Everyone understands that something surgery or being a chess Grand Master or being you know an NBA player that it takes a tremendous amount of skill. You know, you look at someone who, like Michael Jordan and you think Oh my goodness, I could never be that good but when you look at someone who is trading or who is investing, you know you can't tell what the skill is, you can't tell where it comes from, you just see them punching in a couple orders on a keyboard and reading financial statements and charts so you don't realise how much skill is involved to be one of the best and I think if I had to guess and this is an educated guess I'm making, people just underestimate the challenge involved and that's one of the reasons why in my book and the blog I pound away at it is because you know if want really to set yourself up for success, the best way to do it is to have a rock solid plan and to learn to follow it. (**24:43 Houston:** right) you may not become one of the greats that's gonna help you to do pretty well and certainly to avoid a catastrophe. And the comparison I would make is in sports, you know if you learn all the fundamentals skills, if you play basketball and you learn how to shoot the ball properly and dribble and you learn how to play defence properly, yeah you may not be the best player ever but you have a decent chance and that's the same way we should think about it in

trading and then the same thing as in sports, you know you need to really know where you're starting out just having a decent plan s probably gonna get you started and then the real hard part, the real challenge comes in more than coming up with a plan but it comes in having to stick to it because then you have to make decisions, the markets are dynamic, they are always changing and it's really hard to keep up with that and you have you whole emotions to deal with and then the little, you can imagine the little cartoon of the angel on one shoulder and the devil on the other shoulder (**25:59 Houston:** laughs) and then the devil is always the one whispering in your ear, making you do stupid things, so learning to control that is usually hard. All those, people underestimate the challenge involved overall then they don't know how to proceed and then they tend to over complicate it and they should just find a plan that looks good and, one that checks out right, vet it, and then they should get going with that and then learn how to execute.

26:29 Houston: That's great perspective and that's so true for new traders, you can spend years trying to create your own plan or trying to perfect set ups in your methodology but one can kinda borrow wholesaler like you know do as artists do, you know artists steal from other artists, copy there is nothing wrong with that, you can make it your own eventually but in the beginning you can save yourself a lot of time by just borrowing (laughs) from someone you trust and who has a track record....(**26:56 Bruce:** yeah) so I totally agree.

27:01 Bruce: Absolutely, I (**27:02 Houston:** starts talking)

27:06 Houston: Lets speak about some of the other ideas you have in your book; so as you start working your way, as you mentioned earlier, you gotta have that foundational stuff down pat and you know that's just gonna get you in the game, youre not gonna be Michael Jordan but you gotta have at least the foundational stuff, what can traders start to work on after they get the foundation to build those other levels of mastery, so for instance you talk a lot about doing the ..we've all heard about the Malcolm Gladwell's, I guess he's popularised the Ericson's ten thousand hours of work, talk to us about deliberate practice and how traders can apply that into their trading. How do you take that concept and apply that to trading?

27:52 Bruce: Yes, so, that's excellent and the references, Andres Ericson has done , he's probably the leading psychologist who studied the development of expertise and mastery across fields – you know chess, sports music and all of that anything really that's measurable and what he's found is that it usually takes 10000 hours of deliberate practice to develop mastery. Now so, 10000 hours that speaks for itself, that's about 7 years, 4 hours a day deliberate practice; practice is designed to build or to work on one's skill or a specific skill set...and it's hard you know so you, to give an example if you, if you just are dribbling the basketball around you driveway that's not really deliberate practice. If you're doing free throw drills where you have to do drills in a row and you have to practice your form and be perfect

with your form, that's hard and that's building one specific skill set so that's more an idea of deliberate practice.

29:07 Houston: Yeah

29:08 Bruce: So, you know, it takes long arduous effort designed to build skill to achieve mastery and what I really emphasize for traders and investors is that it's gonna be the same in this endeavor. And really what I, what I emphasize is that some of the you know the way you start by having a plan, it doesn't have to be a perfect plan but you've come up with a ...like we mentioned, you can just copy but you can start with that, then you learn how to stick to it and you learn how to trade with a plan, that you starting to improve on the skills that you have learnt and turn them into automatic skills, sort of, it's just like people who can dribble between their legs without thinking about it, it like your getting there but then the way that real nitty gritty of how peak performance develop is through constant reviewing and tweaking, so athletes who watch hours and hours a day of films to see what they want to improve either because they are not doing it well enough are because it is good but they can think of ways to take it to the next level and that really interacts with the first two steps. If you have a plan and can stick to it then you could review it and you could make some tweaks where you say this is my plan going in but maybe I can change this and do something differently and that will be better and then you change the plan up you know you could stick to that plan so then you let it be tested out for awhile and see how it do and then you keep modifying and that will revolves around your plan and also how you implement the plan and that is really, I think after years of iterating that most people will get really competitive level in there investing or trading, they will know how to plan, they will know the importance of sticking to it, they will know how to do that and they will refine things over the years so that they are extracting a bigger edge from the market so that there is sort of risk/reward balance is really working for them etc... some of the things they talk about in the book are what just like any field there is certain truism basic things that work for any, that you will find that are characteristics of any winner, so in the markets there are few like methodology that has to be suited for you but there are couple others that are more subtle, like methodology all have a couple of characteristics one is that they have a statistical expectation that is positive, so if you take with the winners and how much you make on a winner versus the losers and how much you lose on a loser. Over the long run that is you are going to be ahead either you are winning 30% of the time but you are making four times on your winners which you lose on your losers or maybe you have a higher win rate like 60% and you are squeezing out little bit more on your winners than losers, but however you formulate it positive statistical expectations; another characteristic is that they have a system for managing risk and also for sizing positions, not every position will have the same (inaudible) level and should not be sized the same, so really the real great ones they know how to put more money behind the better ideas with the better risk/rewards ideas and then some of the tools that I talk

about in the book are like the Kelly's formula is a mass ton of expectations it is a full (in audible) that says this is your expectation on any individual position, this is how much you should risk. I am not saying that is a gospel truth and you should stick to it but it is a good way of orienting your thinking and you should have some system like that for managing your risk and for thinking about how much to risk on initial positions.

33:24 Houston: So you know which setups that are working well, how to size them and you are always betting on the horses that are winning verses betting on the losing horses right?

33:32 Bruce: Exactly and then also so that you don't take so much risk on individual position that you run the risk of bankruptcy or a real hit and then that all the basics and if you do all that you will probably successful, but just like you mention if you want to be the best then the games shifts, it is not just about the basics and the fundamentals it becomes more about the mental gain, so as you do a lot of the reviewing and the tweaking you will realize that you as the person making the decisions you need to get better.

34:07 Houston: You are the person that's actually holding back the performance?

34:13 Bruce: Exactly and then there is certain things you can do that is corrective, so fixing if you have for instance fears, emotional things that get in your way that cause you to panic at the wrong time are whatever you know a talk in the book about a lot of tools that peak performers use to correct things like that and then some of the others are generative so often you use a lot of visualizations because it suggest you a certain outcome and your brain could have cleverly pushes itself in that direction, another example would be Mindfulness, where you get your brain in a calm almost meditative state it helps your attention span overall so as to lay the ground work for improved performance no matter where you are coming from.

35:08 Houston: Yeah, let's go there let's talk mindfulness for a second because I know you have a series going on of blogs right now talking about a Mindful experiment that you're currently trying out and you're in week 5 of your experiment.

35:20 Bruce: Yeah, that is what I am doing now.

35:24 Houston: Tell us a little more about that I know you are inspired by a book tell us more about what you are doing there?

35:31 Bruce: So you know I like to talk about how the mental game sort of the way you go from good to great and I have always over the last few years I have tried all kinds of techniques and I found some that really work, so visualization I have written a bunch about this you know. I borrowed some techniques from Sport Psychology and technology and modified them very heavily and I found some things that worked in terms of visualizations and then I was intrigue

by Mindfulness because there is a lot of good Literature about it, so I started to do some research on it and then around that time a book came out called Trader Mind and it is written by a friend of mind Steve Ward he is a professional trading coach he is based in London and you know from time to time and I really like the book and it have a good step by step hold your hand kind of guide to Mindfulness as it applies to trading and investing and so I just I read it, I enjoyed it, I started to be excited and then as a way to commit myself, I started a series of blog post online.

36:36 Houston: Oh, I see you wanted to be accountable.

36:39 Bruce: Yeah, best way to be accountable and then you know I have not done it one week of time in the book has taken me a month because I want to get it right and then also because I publish different things during the month, so I will write couple different topics during the month not just about Mindfulness but that's how ive approached it; I found that I am very ADD by personality sort of all over the place, I had a hard time with it at first really hard time, it was brutal to sit still for ten minutes and then the second part that was really difficult was is with Mindfulness it is really about learning to train your attention span while you are focus, so you get these random thoughts, when you are practicing that the way you do it is you just let thoughts come into your head and instead of saying shut up you say okay that is an interesting thought okay I will just let that one pass and was actually very new for me that was a completely different way of doing it before I was getting distracted I would say shut up like stop these annoying thoughts I am trying to work.

38:00 Houston: You get angry at the thoughts.

38:03 Bruce: Yeah, exactly and it is a real gear shift to embrace them and sort of look at it with curiosity and say what an interesting thought does it help me, does it not, if it helps me - great, it does help me then let it go on its way, but I have found that the test that I take every week or every week of the course which is the Mindfulness grading from one to one hundred and I am getting better slowly, I have notice a difference in terms of my attention span and then just the way I approach certain activities that were automatic before - like if I was walking from my house to the train, before I l'd just go... now I look at the leaves, smell the air and so I am enjoying life a bit more as a consequence.

38:50 Houston: So then, share a few more of those Mindfulness experiences that are written that particular routine so I think one of them is a habit breaker but is there anything else you want to share. What are some of the actual Mindful practices that you are trying out?

39:07 Bruce: So, one of them is the habit breaker where you take something that would be habit and you personally do it differently and secondly you try to pay attention while you are doing it, so for instance the way you brush your teeth just do something different while you are

brushing your teeth or if sit in one chair while you are watching television sit in another one and you should notice how the experience is different little things but how it helps...what that is design to do is break your habitual approach or where you can get stuck in a groove in the market, so if you look in the markets and if you have tunnel vision or you're stuck in a very narrow kind of frame work you may miss opportunities or you may not be as critical in a good sense, critical of your own approach, of your own positioning and so those are design to get you to think more in a more detached clinical fashion and to be better able to approach the market from an objective stand point, to be able to train your attention fully on the market when you want to and I found that all those exercises have really helped at first no because it took a while to get use to it but after couple weeks of the exercise that you start to get use to it and that really helped. And I found that now when I talk about the little angel and the little devil on my shoulder, now when the devil whispers in my ear I sort of say "that's an interesting thought" and that helps me to be more rational and to be more process focused in my whole approach.

41:00 Houston: Right, the kind of (inaudible41:01) always going on in the background kind of rational thoughts, label them and let them pass right.

41:11 Bruce: Exactly, exactly, and maybe not even label them just sort of un-critically say okay thank you for that thought you know it does not really help me now so yeah acknowledge it but then let it go on its way.

41:24 Houston: Yeah, I have a big advocate of mindfulness practice for pretty much anyone but especially traders. I just think that the fields that we work in the amount of chatter in our heads and well as outside of our heads is just mind boggling, so if we could just quiet that a little bit, to give yourself like you mentioned, just a little bit of space so that you can make better decisions so that you are not constantly fighting all that chatter, man that could make some really, really big changes in your trading.

41:58 Bruce: Yeah, exactly I mean I think Steve called it, Steve Ward, the author of Trader Mind called it a circuit breaker, so it gives you just that little bit extra space or distance so that you do not shock yourself, so that there's something in the market or there's some chatter in your mind, so you don't just impulsively react to it or you don't sort of feel that you need to pay attention to it and get sucked into it you just say okay you can become very attached about it and like you said any little extra bit of detachment helps, that should helps to ward off the noise and the nonsense and it also helps you to be more collective and to make better decisions.

42:46 Houston: Right, and anytime we can kinda turn off our mindlessness. I know you talk about this in your book that you look into NLP and I guess wanting the big premises of NLP is that we are kind of inundated with information that naturally our brain has to delete and store some of the information because we cannot possible process it all. Tell me more, did you find

anything useful out of NLP cause it sounds like you did go down that path round exploring performance?

43:25 Bruce: Yeah, there is a lot, a lot of what is in an NLP has been used in a lot of fields like especially in Sport Psychology, so just for fun I encourage all of your listeners go on to Amazon and type in Sport Psychology Handbook or (in audible) Introduction Sport Psychology, or anything like that and you will see there are a lot of very good resources and they will have 30, 40 years of scientific peer reviewed research backing up, so a lot of what a NLP is using is kind of related or reflective of stuff you find in Performance Psychology, Sport Psychology and in Therapy as well and then it is also echoed by modern day neuro-science, so for instance deletions and distortions and NLP talks about but all the research we done on neuro-science says that.

44:19 Houston: (inaudible).

44:21 Bruce: Absolutely, that is how you're brain works and then your conscious brain, this has been documented for a longtime your conscious brain can only hold 7bits plus/minus of information at a time, so that is for instances why phone numbers was seven digits because that was the optimum length for people to remember

44:41 Houston: OK

Both laughs

44:43 Bruce: Yeah, that true. So your conscious brain can only sort of do so much and you need to be very careful about how you use it and then NLP is really about a couple things: the first is about managing your state, managing a lot of the things around your emotional, psychological and physical state to get the best outcome possible, so for instance training your body to choose to be calmer or sort of suggesting things to yourself the best thing possible to yourself so that your brain takes on board the suggestion and that is a lot of what visualization about is suggesting a desired outcome and your brain kind of works to make it happen or maybe it removes some of the obstacles when that happens. So I found that in NLP, I'm not gonna say that it's the Holy Grail or anything like that but a lot of what its recommends, a lot of what it teaches is backed up by other fields which supported its use successfully and I think that we benefit greatly in the markets from using it . I mean, if it's been around for 40 years and used in sports that's also highly competitive, the very ever-changing kinda landscape that you're involved in you know being on a football field or something is also changing all the time you know it takes a lot of skill a lot of practice, there are a lot of similarities so why not use something that works you know the document is working. And that's why I started using those tools and I tried them out myself, like I said okay you know I read this book about NLP or Sports Psychology and let's just give it a try and see if it works and it worked for me and that's why I

talk about it and why I advocate it and then I found out that in terms of taking my performance to the next level or at least removing the obstacles to better performance you know the mental game tools that I write a lot about in my book and I write about on the blog, you know that really helps.

44: 54 Houston: So maybe you can share where that kind of gets us right into the topic of routines and rituals. So do you have like a pre-game or pre-market routine that you run through, whether be visualisation or some other exercise that you regularly do first thing in the morning or before you start trading at this time?

47:14 Bruce: Yeah, I do sort of a refresher visualisation every morning, usually when I'm in the shower otherwise it's like useless time. So I do sort of a five minute like speed visualisation. And part of it is like visualising and then I add sounds and say what I want during the day so it's a bit of affirmations as well but...yeah I find...

Houston: (Inaudible47:40) the broader day of what you want to happen during the day

47: 45 Bruce: It's more, it's less about market activity, it's more about sort of I am making the right decisions, I'm cool and calm and collective and I'm a successful fund manager, so that's what I'm saying and then the visualisation is just about me walking through a successful day in the markets, you know start to finish. And then I have a minimal routine that I do every day which is you know I wake up, take a shower, the many visualisations then to make sure I check the Bloomberg, then I make sure to check the news also, to see what happen overnight in the markets and then I have a spreadsheet which is, it is linked to Bloomberg and I update it and it basically tells what all the major markets that I follow have done, and then I use copy paste them to my journal and then I'll journal some in the morning and some in the evening about the views in my positions. And part of the game plan and part of it is you know or I'll make notes to myself and explore that potential position or one thing I have been working on recently is, so, my style is really very much pairs trading, so I have a long and a short position so I sort of have to make sure that my net market exposure is really small and then thinking about how to size those positions and then the volatility of those pairs, what kind of risk will I be taking how does it co-relate to the volatility. If I'm risking the same dollar amount then the stock loss will be actually tighter. Maybe I, maybe there is another way of looking at it so that's kind of the rituals I do and what I do during the day.

49:47 Houston: And thank you for sharing your ritual, do you get a chance to squeeze in any meditation inside that day? And do you do try to squeeze in any exercises as part of your routine at all?

50:01 Bruce: I am very religious, so I do not do meditation, but I do a lot of prayer **(50:06**

Houston: Ok) so it has the same meditative effect; the spiritual content is obviously different

but it has the same meditative effect, so I do not really do any market focus meditation or any kind of clear your mind meditation but I do a lot of prayer and then in terms of exercise I don't do exercise every day I go to the gym couple times of week and then I walk a lot or I just sort of take long walks and that helps me to clear my mind, so that's what I usually do during the week.

50:40 Houston: That's a very common trend there, yeah, people using movement and walking or exercising kind of clear their heads. Things like that just you know can be a best practice around taking your eyes off the screen and find some time for good thoughts to show up right.

51:00 Bruce: Yeah, yeah

51:01 Houston: Instead of sitting in front of the computer...

51:02 Bruce: Yeah, yeah and then I mean I found for myself that you know if I, given a choice in the evening between spending another 45 minutes with the markets or taking 4 or 5 minutes to recharge my batteries and to change up my focus I am a lot more productive and I have a lot more energy if I do that; there is a great series of books by Tony Schwartz, about managing energy and he looks at the top achievers all across fields and he says top achievers the peaks of performers are actually those that manage their energy best and actually make more time for rest than average performers (**51:20 Houston:** yeah) so for instance professional athletes sleep like an insane amount like nine ten hours a day, but they work very hard physically and that is how they recharge and then the same thing for well known CEOs they take a lot of time for exercise for relaxing and meditation, so I figure if it works for them, then I should do the same.

52:07 Houston: Yeah, absolutely that is a great advice there is just a prioritizing just rest and recovery, so you can replenish your emotional and physical energy, that is a great piece of advice. So I know we are running up on our time now, maybe we could just pacify a couple of questions and we can wrap things up. You have already mentioned a ton of good books so would you...what other good books around creating or just related to performance that you would recommend? Sounds like you're an avid reader so you must have lots...your top...what is your favorite?

52:43 Bruce: Yeah, I would say my favorite book about the market still if I had to choose one is a Reminiscences of a Stock Operator and the reason for that is this is a guy who he sorts of lays bare his journey in the market both his practical journey like he was learning to do in the market in buying and selling but also his really up and down roller coaster emotional journey and I think that book was written like a hundred something years ago but it still works for me because it is just following his emotional journey and realizing this guy was one of the greats and he had this huge up and down roller coaster; he used to lock money in his safe so he would not be tempted to put money in the market, he use to tell his wife to wire money somewhere

else that he would not have access to it you know, this is a guy who had really psychological challenges and you know it is informative, it is instructive for everyone to read it and realize look even a hundred and twenty years ago (in audible) emotional ups and downs that comes with the market are the same for everyone. In terms of more process related books, I have read a lot, my favorite books is still probably the books by the three books by Doctor Steenbarger - he has Trading Psychology, he's got Enhancing Trader Performance and Daily Trading Coach - all three of those are amazing because they really, he is a Psychologist by training but he is also a coach to many very top level trader, investors and portfolio managers and he really digs into all the Psychology and all the process stuff and he understand better than anyone the link between them. So his book Enhancing Traders Performance I'd be ashamed to tell you how many times I have read that book - it's pure gold and I find that he really understand process like no one else and he understands the link with Psychology like no one else and every time I read it I get something new out of it.

55:00 Houston: The books are so dense but they are so jam packed with information that, your right a regular reading of it is always so good a refresher and good ideas (**55:09 Bruce:** Yeah) One last question for you Bruce and then we'll shut it down

55:15 Bruce: Sure

55:16 Houston: So, given your journey and where you are now if you could give a piece of advice to your younger self say when you were in your early 20s, what would you tell that person? What would you tell that younger version of you?

55:30 Bruce: (Chuckles) I would tell them that all of the stuff that's written in market, well known bloggers give the same advice and then people who appear on CNBC or very well know fund managers they would give the same advice, there's a reason why everyone is giving the same set of advice - because it's really worthwhile - so my advice would be really to listen, you know, listen intently to a lot of the advice that's out there and not the sort of hucksters who are saying buy my system for \$50, that has never had a down a year and has made 30% a year for 30 years. No, like that's obviously, that's not what you need; what you need is really good advice about a certain, a holistic advice, you know- process driven, teaching you how to be an investor or trader and my advice would be to really listen carefully to that advice, you know, the things that (inaudible56:35) was writing a hundred years ago (inaudible56:40) writing, you know Benjamin Graham and more recently, the market wizards (inaudible56:50) you know all of that, they're all kind of saying the same thing about you know the process parts, the psychological elements so pay attention, listen – that would be my advice. And it's sort of like, it's almost trite but there's a reason why those people are writing that and saying it's the most important things to know and keep in mind it's because it really is

57:14 Houston: That's great advice and the one common thing from all of those people you mentioned is that they never write about that kind of lottery mentality approach, right? Never, a get rich quick (**57:24 Bruce:** yeah)...let me give you a (**57:27 Bruce:** yeah, yeah, yeah) it's always gonna work and that journey of mastery. So...

57:33 Bruce: Yeah, yeah, yeah, there's no silver bullet, you know

57:35 Houston: Yeah, there's no silver bullet. We covered so much stuff today Bruce and I thank you for your time and if people want to learn more about you or if there is anything else people want to read more about your stuff, where can they find you and is there anything else you want to share with the audience today?

57:49 Bruce: Yeah, I mean, I have a blog its howoftrading.com and you know that's got all my articles, it's got a link to more information about my book and then some other products that I have. And then my last piece of advice would be to..I'm actually really thankful to everyone who reads stuff and who interacts with me; Ive learnt a huge amount and I'm very thankful for all the interactions that ive had with anyone from total beginners to the really top flight professionals like Dr Steenbarger or (inaudible 58:25) at SMB. So to all the listeners out there, thanks a lot for listening, thanks a lot for..you know if you have questions then write them, they make my day and actually a lot of the stuff that I write it comes from, it comes up as a result of questions or discussions with people so I really thrive off this kind of interaction so thanks for being there, thanks for interacting and let's keep the dialogue going.

58:53 Houston: Excellent, well thank you so much Bruce, I appreciate your work as well so thank you very much for being veryso prodigious with all your efforts. Have yourself a great day and I look forward to talking to you again.

59:08 Bruce: Thanks a lot Houston, yeah, thanks for the time, I really enjoyed it

59:11 Houston: Absolutely, talk to you soon.

59:15 Bruce: Ok, I appreciate it. Bye