Twitter Thread by Steven Goldstein



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Short thread on emotions in trading

A common meme is that the best traders are the least emotional. I'm calling BS on this.

I've analysed the Psychological make-up of many brilliant traders over many years using psychometrics. And whilst this isn't scientific research.

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I've not found a correlation between people's emotional intensity & their performance. Some of the very best traders I come across are highly emotional.

Risk is felt, it's not something that can be quantified despite the failed attempts of many. 2/9

Of course allowing your emotions to control your trading is unhelpful, but some of the 'emotional' types have learned to master this and have become incredibly adept at it.

The fact that they don't suppress their emotions aids this process.

They use their emotions as

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clues and triggers on their internal radar. It's a skill which great traders learn to do.

Feeling their emotions & being aware of them enables them to identify opportunities & threats with great haste, giving them an edge over 'less emotional' types who are not able to

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recognise some signals.

By contracts the less emotional types can tend to be overconfident & don't always see (because they don't feel) the degree of risk or threat in situations.

I am not saying emotional or unemotional is superior. Both types can and do succeed.

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What matters is doing it in a way that's congruent to personality. Being able to leverage the different edges their personalities offer them, & being able to mitigate the different threats & blindspots their types manifest.

What matters is congruence: There are certain 6/9

styles & types of trading that are more suited to certain personalities (though never exclusively due to ability to adapt and the use of tools).

For emotional types, I 'tend' to find that the shorter-term/faster the style or signal, the better it is.

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Also they 'may' be highly creative & adaptable, making them quick to spot new or changes in trends.

Again this creative 'edge', which isn't necessarily unique to, but seems to tend towards, emotional types, can be highly valuable to designing systems or new methods.

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I hope people find this useful. It's just a short thread, but I wanted to dispel a myth.

Everyone suffers the fight with emotions (emotional & unemotional types). Learning to manage & deal with this internally is the battle. We aren't robots, we can't help but have emotions.
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