

Title: Trading: It's completely mental!

Session Introduction: In 2007, the Chairwoman of Qantas, Mrs Margaret Jackson, was supportive of a takeover bid for Qantas at \$5.45 per share. With acceptances of the offer waning, Mrs Jackson told the Australian Financial Review regarding the impending withdrawal of the bid, "If anyone thinks this will happen without affecting the (share) price then they have a mental problem with how the market works." She received sharp criticism for her comments, especially from the mental health community. In addition, she was accused of underestimating the abilities of the shareholder, many of which were retail investors, to make a rational decision. By late 2013, Qantas (QAN) shares hit a record low of 96 cents.

Had Mrs Jackson suggested that those shareholders who failed to accept the takeover offer were subject to several cognitive biases including Anchoring and the Endowment Effect, she may have escaped the criticism, even if few people understood what she was referring to.

Sadly, the term "Mental" has been hijacked in popular parlance to represent a slur on a person's character, and is short for mentally ill. However, its original meaning refers to things of the mind, specifically intellectual (cognitive) and emotional.

This presentation looks at cognitive biases in two parts.

1. Those affecting how we trade including mechanical versus discretionary trading, decision making and risk management.
2. Those affecting why and what markets we trade, which trading platform / software we use, which instruments we trade with, which broker we use, and our approach to financial education and training. This aspect is often overlooked as the "how" normally dominates discussion. Crucially, it may be these factors are prone to cognitive biases that limit the chances of the actual trading ultimately succeeding.

Of course, options trading will be a key part of the discussion. Paul will suggest that the first trade any new trader should make is a long call.

Paul will demonstrate to the audience that trading is completely mental!

Be prepared for an interactive and informative session.

Time: 60 min – 90 min

Format: Presentation with discussion

Intended Audience:

Trading / Investing - Novice to advanced

Technical Analysis - Novice to advanced

Options Trading - Novice to intermediate

Development Status: Under development. I presented face to face sessions on [Trading: It's completely mental](#) to audiences in Malaysia.

Example Presentation: [Trading: It's completely mental](#)

Session Outline:

Cognitive Biases Overview

- Introduction
- The four dilemmas cognitive biases attempt to resolve
- Loss Aversion
- Anchoring Effect
- Survivorship Bias
- Confirmation Bias
- Bandwagon Effect / Groupthink / Herd Behaviour
- Endowment Effect
- Availability Heuristic
- Hindsight Bias
- Post-Purchase Rationalisation
- Attribution Bias
- Framing Effect
- Mental Accounting
- Sunk Cost Fallacy
- Gambler's Fallacy
- Dunning-Kruger Effect

The Practical

- Mechanical or Discretionary Trading – It's entirely your choice!
 - Trading Plans – Do we stick to them?
 - Instruments - Why do we trade what we trade?
 - Options – Too risky?
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Bio



Paul is the managing director of [Enhance Your Options Pty Ltd](#), an Australian-based company specialising in options education and training.

Paul's education and career are both broad and varied. He has worked as a farm manager, life insurance agent, high school teacher (Fiji), university tutor and lecturer, IT training manager (UK) and organisational change manager (AUS). It from this background, that he brings a very different perspective to most things that he applies himself to, financial education being one of them.

Having returned from 9 years living in the UK to his Australian homeland in 2012, he decided to fill a niche that he saw in providing quality financial education and training, particularly as it relates to options trading.

Not content to produce just another options trading course, he applied his skills and expertise in data manipulation and proven learning concepts to develop courses that enrich the learning experience. To facilitate this, several proprietary options training tools have been developed, the flagship of which is the [RoToR Payoff Diagram](#)[®].

These tools and the courses that are based around them, are the culmination of 25 years' experience in adult education and training, technical analysis skills and over twenty years' experience in investing and trading, and a life of seeing things from a different perspective to others.

Paul is an entertaining and highly regarded speaker having delivered presentations in Australia, United Kingdom, Egypt, Malaysia and New Zealand and presented global webinars for the CMT Association and IFTA. He also recently presented at the IFTA 2017 Conference in Milan, Italy.