Can Meditation Make Us Better Traders And Investors?

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Meditation can help us take the ego out of decision-making.

There is significant evidence that meditation can help us deal with stressful situations, including the recent pandemic and the challenges of doctoral education, as well as mental health concerns such as depression and anxiety. The Mindful.org site, in their review of the science behind meditation, notes such benefits as improved attention, increased emotional resilience, greater compassion, and “less rumination about ourselves and our place in the world”. The work of Gaelle Desbordes and colleagues finds that mindfulness
meditation facilitates emotional well-being, not just by increasing relaxation and reducing stress, but by building interoception: our awareness of our bodies. This awareness, which is accompanied by measurable shifts in brain structure and function, breaks cycles of repetitive thought, giving us greater control over worry and negativity. Similarly, the research of Amishi Jha suggests that meditation is effective because of its enhancement of attention and working memory, giving us greater control of the information we select and deselect. As the Mind & Life site notes, there are variety of forms of meditation that Jha studies, including body scan meditation, loving-kindness meditation, and mindful breathing. Common to these is an enhancement of awareness, an intensification of our focus on the here-and-now. This can be seen in Mindfulness-Based Cognitive Therapy (MBCT), which adds an intensification of mindful awareness to traditional cognitive work, helping patients change not only what they think about, but also how they filter incoming information.

We’ve seen a recent explosion of interest in using meditation to assist traders and investors with their performance in financial markets. The idea is to use the body to program the mind and avoid the fear, greed, and cognitive biases known to color trading decisions. As the Trading Composure site explains, in mastering meditation we can calm the nervous system by cutting out noise, increasing our reflection, and instilling gratitude. Daniel Crosby, in an AlphaMind podcast, notes that the brain is not naturally wired for decisions in financial markets, distracting us from the meta-knowledge—the awareness of what we know and don’t know—essential to operating under conditions of risk and uncertainty. Could it be the case that meditation does not benefit traders simply by calming them down, but by improving their processing of the present moment? Just as powerful as fear and greed are regret and worry. Regret keeps us anchored in the past; worry projects our concerns about the future. By improving reflection and increasing access to meta-knowledge, meditation may ground us in the present, improving our perception of what is actually happening in the here-and-now of markets.
Traders tend to assume that they will improve their trading if they overcome their emotions, and they look toward meditation to accomplish this. This ignores the fact that some forms of meditation, such as loving-kindness meditation, actually intensify emotional experience, such as gratitude. The chief benefit of meditation for traders may be to ground us in the here-and-now, allowing us to make decisions based upon present-centered awareness, rather than past and future concerns over profits and losses. As the research findings of Desbordes and Jha suggest, meditation’s most significant impact appears to be on our cognitive processing and our ability to better filter information in the present moment. That improved filtering breaks those repetitive cycles of negative thought, as in MBCT, and it facilitates our access to the meta-knowledge that guides rational decision-making. The goal is not to become emotion-free, but fully aware of our emotional responses in the moment, so that we can utilize them as information rather than distractions. That, as trading coach Denise Shull points out in her discussion with Jordan Harbinger, enables us turn bad emotions into good decisions.

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