



The Inside Man

Double or Quits? Or Why We Love To Chase Our Losses

Leading sports psychologist and betting performance coach Steve Ward tackles the illogical habits of traders and sports bettors to chase losses, and suggest ways to kick the habit.

Imagine we toss a coin for a bet. You call. The coin lands. You are wrong and lose. Who is most likely to say 'double or quits'? You or me? In the majority of cases it will be the person who has just lost. In this case you.

One of the most interesting and common characteristics I have noticed in traders, bettors and gamblers is their propensity to chase losses and in many cases in doing so, utilising techniques and strategies that defy all logic and rationality. It is amazing how many ways you can justify such behaviour to yourself isn't it? Chasing losses is a very expensive habit, and is the downfall of many a promising trader, better or poker player.

Think back on your own performances. Can you think of times when you chased your losses? Can you remember asking yourself afterwards what on earth you were thinking? You know not to chase losses, you know it is reckless, you have lost money in the past doing it, yet you still did it...why?

Research done in the field of behavioural finance – financial decision making – suggests that the majority of people in a situation of gain (winning money) will become risk averse (take less risk), whilst

the majority of people in a situation of loss will become risk seeking. That is, that most of us when we are losing money will 'naturally' be willing to take even more risk (such as 'doubling up' in the coin toss example) to recover that loss. This is pretty significant and may in part account for why so many people struggle to win over time in the financial markets, on the betting exchanges and on the poker tables (both live and online).

However, this innate psychological bias alone is not the only reason why we love to chase our losses.

Do you like to lose? Very few people do, especially when losing occurs not just at a competitive level, but also at a financial level and at an egotistical level. Our ego functions around the central objectives of looking good and being right. Losing is easily interpreted as being wrong and provides ego with a bit of a bashing. To get back into the good books it appears necessary to play again to recover those losses, to win, to be right, to look good. Sound familiar?

Our key challenge in excelling in financial, risk induced environments, is to be able to not just understand at a conceptual level all of the key playing principles but to actually be able to implement them in real time, with the pressure of facing losing your own hard earned cash. This is not easy. The standard learning process involves getting it wrong a lot of times until enough money has been lost and enough pain endured to create a change in behaviour – providing of course, that your ability to endure such losses and pain is greater than your bank account. For those with less of a penchant for pain and loss, the key is mental conditioning. Committing to the discipline of taking losses, building a winning mentality around loss management, seeing yourself with those winning behaviours and practising them and practising them until they become ingrained.

Ed Seykota, a highly successful financial trader and Market Wizard, famously said: "The three elements of successful trading are cutting losses, cutting losses and cutting losses." And if you speak to any

professional poker player, they would all say they never chase money back and always continue to try and play the what they feel is the right game.

Kick The Habit

1 One of the most important factors is to accept that losing is a part of the game. Not to want to lose, or to enjoy losing, but to understand that it is as much a part of trading, betting and poker as breathing out is to breathing in.

2 Condition yourself through repetition to take your losses, re-evaluate, and re-focus.

3 Manage your risk/staking so that any losses are controlled. If you control your losses you are far less likely to get those powerful emotions that take over your rational brain and drive you towards short term loss recovery by any means possible.

4 Learn and move on – let go. After a loss if you have any negative feelings ask: 'What am I feeling? What is the message behind that feeling? What can I learn from this and do differently next time?'

5 Take a time out. If you are able to notice that you have become emotionally charged following a string of losses or a particularly big loss then it is probably wise to take a time out and stop 'playing'. Whilst you are in a negative state, your powers of decision making, reaction speed and rationality are seriously impaired. Take a break, go for a walk, sit quietly somewhere and reflect.

Steve Ward is a leading performance coach who works with people in results driven high pressure environments such as sports, trading, gambling, gaming and sales. His key areas of focus are on developing key performance skills, a winning psychology and providing lifestyle support.

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Football Pools

Following our previous introductory article on the football pools, an email arrived at the GX offices, the content of which was replicated in dozens of others that followed.

"Could you explain," it asked, "precisely what a 'line' is on the football pools and tell me how much it would cost to cover every eventuality / outcome on a pools coupon."

Good question. Most weeks, even during the close season, when Australian fixtures are included, there are 49 matches on a pools coupon. To perm every single match in a line of eight selections (a line always comprises eight matches), the number of lines required to cover all 49 games would equate to an entry of 450 million lines.

Assuming a line cost 1p each, your stake would be a rather prohibitive £4.5 million. Bear in mind too that although your coupon would theoretically be a sure-fire winner, you could submit your coupon in a week when there might not be eight score draws: there could be 17 or 20 draws, which would mean the prize pool would be shared across thousands of small winners...

Regular football pools winners – not the one-off, 'lucky-pin' variety – maintain that to be successful, you must give yourself a mathematical edge and dropping £4.5 million every week does not quite fall into this category. Instead, the football pools must be approached with an air of detachment; there's no point in becoming emotionally involved with your match selections because you're as good as throwing your money away.

Though it's fair to say that the football pools does produce a seasonal clutch of major jackpot winners, it is possible to become a regular winner if you're prepared to invest time and effort in analysing match outcomes. The internet has ensured that establishing a system based upon an

analysis of historical performance is entirely possible and potentially extremely profitable.

The reason, of course, is because how football teams play is entirely predictable, even taking account of varying levels of form. Chants of 'It's just like watching Brazil' at lower-league grounds have an air of self-deprecation: put most sides up against Brazil's second-string and they'd get hammered. Put most teams in the lower half of a division against those in the upper half and the higher-placed side should win.

In other words, while acknowledging the possibility for shock results, we would generally expect higher-ranking teams in the league to beat teams lower down the league.

Assuming this is an accurate conclusion, winning regularly at the football pools becomes entirely possible provided two other factors are taken into account.

Firstly, there is performance analysis. It's possible to spend time online looking at past head-to-head results and subsequently produce a model capable of predicting future outcomes with a reasonable degree of accuracy. Some regular pools winners believe that the level of enhanced accuracy required is negligible in order to provide a mathematical edge.

Secondly, there is the question of coverage. As we have seen above, covering outcomes in all 49 matches is prohibitively expensive, but in the search for those elusive score draws – the football pools' Holy Grail – it is possible to cover up to almost 50% of matches without breaking the bank.

Some well-established pools plans enable between 20 - 24 forecast selections to be made, so ensuring that between 20,000 - 25,000 possible eight match combinations are covered. For how we do that, come back and visit next month.

You can play the Football Pools for just £1 a week. For further details, see www.footballpools.com