



Integrated Wealth Management

The Other Side of Chaos

To start, thank you to a loyal IWM client and friend J.B., for sharing his phrase “The other side of chaos” which so describes some of the emotions and reactions to the current financial crisis. It describes how we as a culture have let our proverbial pendulum swing from some of the most chaotic financing and economic principles all the way back to the current state of fear and seemingly “deer in the headlights” mentality of today.

With over 22 years of experience in this business I have been fortunate enough to become acquainted with some of the great minds of our time. Often, I read their writings and feel that they have gotten the message across as good, if not better, than I could. This is definitely the case of the below reprint from my colleague Janice Dorn.

Enjoy:

Wednesday, February 18, 2009
Dorn: Embrace The Fear And Prosper

Dr. Janice Dorn
The Trading Doctor

Are we facing the largest personal, geopolitical, and financial crisis of our lifetime?



With a high degree of probability, the answer is “Yes.” Once we get out of denial and embrace the truth of what we are seeing, we are in a position to prosper. As long as we allow fear to chase after us, we are victims. Once we turn it around and begin to chase down the fear, it becomes OUR prey.

Since the inception of trade, there have been manias, panics and crashes. They are part of the ever-changing cycles of the markets and life.

Fear is a powerful motivator.

It is among the most primitive of all emotions, and has been a driving force in the evolution and survival of our species. There are three basic responses to fear: freeze, flee or fight.

For months, we have been stuck in this trading range with more and more people fleeing or freezing every day. We are afraid and fear is chasing us. We feel we no longer have the strength to fight, so we get out at any cost, or stand frozen as we are run over by the oncoming train. This type of behavior is often seen as the markets are about to begin a tradeable move.

The financial markets are designed to take the most money from the most people most of the time. When many people are frozen, sold out or disgusted—even apathetic—others are lying in wait, ready to buy. In the early days of Wall and Broad Streets, the old men with canes hung out in their stately brownstones. When there was panic and “blood on the streets,” they calmly took out their canes, hobbled down to the exchanges, bought and hobbled back. They had no fear because they were able to think in a counter-intuitive manner. They saw opportunity when others were jumping out of shrewd old men (and a couple of women!) of Wall Street used their rational brains to override their emotional rat brains. Most traders and investors are unable to do this, and this is one major reason that so many fail. They cannot keep their heads when all around them others are losing theirs. There is a reason that it is called F E A R. It stands for False Evidence Appearing Real.

Survival in the markets and in life requires that we do not fall victim to the primitive fear-based rat brain, and that we move into the clear-thinking new brain. In the markets as in life, survival is not related to being the strongest or the most intelligent. Those who survive are most able to respond to change without being threatened or in denial of it.

Now is the time for the true survivors to show buildings or frozen by fear. By the same token, when they saw exuberance and everyone rushing in to buy, they again took out their canes and hobbled back to the exchanges to sell. These themselves. Of all the tools in the trading and living toolbox, the most critical for survival are character, personality, thinking style and world view.

When confronted with fear, those who do not freeze or run away learn that they can fight, and that there is enormous opportunity to survive and grow rich in the face of crisis. Change is not to be feared or denied-- is to be embraced, and used to prosper and grow stronger.

Life and the markets are not ever about what happens to us. They are about who we are, and how we respond to what happens to us. The opposite of fear is faith, and I urge every one of you to have faith in yourself and your ability to navigate through and survive anything that life or the markets throws at you.

Those who do this will survive to trade another day as long as clear heads prevail, stay in the moment, go with the flow and remember the lessons of history.

