


**am**  

---

**FX****Brent Donnelly**bdonnelly@spectramarkets.com  
(212) 398-6230

Two emojis used together can communicate a fair bit of information and emotion.

For example...

 [Person Walking](#) takes on a sombre meaning when served up alongside a broken heart  .

Visceral one-two gut punch emoji pairing!

## Current Trades

**Long EDZ3 @ 98.895**  
Stop loss 98.79  
Take profit 99.03

**Long 2-month 0.7500**  
**AUD digis**  
spot ref. 0.7285

# Default Mode Network

Two books I greatly enjoyed in the past year are:

1. [How to change your mind](#) by Michael Pollan; and
2. [Why Buddhism is True](#) by Robert Wright. htdn

The books cover vastly different ground (one is about psychedelics and the other is about meditation) but both dig into a brain science concept which I had never heard of previously: Default Mode Network<sup>1</sup>.

The default mode network (DMN) is a cognitive science concept describing a particular part of brain function. Research shows that there is a specific part of your brain that becomes active when you are not busy thinking about anything in particular. This is sometimes known as wakeful rest. My wife calls it the "comfortable stare". The DMN area of the brain tends to have the same thoughts over and over. These are the thoughts you circle back to when you are not thinking about anything.

Mendel Kaelen suggests we think of the mind like a hill covered in fresh snow. Each thought is a sled that slides down that hill, leaving a trail. The more sleds that slide down those same trails, the deeper those trails become and the more difficult it becomes to avoid sliding into the same repetitive thought patterns. Every time you are bored or just sitting there blank... Where do your thoughts go?

## What is your default mode?

When your brain is at rest, where do your thoughts wander? Do you worry? Do you think about past failures or disappointments? Do you just sit there jonesing for a cigarette? Do you engage in simulated arguments with an estranged sibling? Do you worry about future threats to your happiness?

Or do you just sit there ... and vibe in the moment?

For traders: When there is a trading lull, how do you typically think? What is the action you default to? When you have a trade on, and you're sitting in front of the screen, what is your default mode? Do you generally want to add to the position? Or cut it? Or are you fine to wait patiently and let it simmer until it's ready?

Become familiar with your default thought and action patterns and think about whether they are destructive, whether they add to or subtract from your process, and whether they lead to productive or suboptimal actions and outcomes.

When you're not busy at work, where does your mind go? Is it a positive or negative place? Are your typical thoughts constructive or self-critical? Do they encourage action or inaction? Does your DMN help you or hurt you? How do you break the bad habits?

One part of my default mode is to scan through charts and think about random market-related ideas. That's a positive and productive DMN. I default to thinking things like: "Hmm, VIX has dropped three days in a row, is that bullish for stocks?" or "I wonder what lumber and soybeans are doing; I haven't checked the soft commodities in a while" or "When's the next RBA meeting?" I also default to tossing around ideas for upcoming editions of AM/FX. I add them to a Word doc of future ideas.

<sup>1</sup> Some of today's AM/FX is adapted from [Alpha Trader](#).

The negative part of my default mode is a strong and steady urge to press the BUY and SELL buttons. I always want to put on or add to positions. Whenever markets slow down and enter a quieter intraday phase, I find myself tempted to increase my position size. I should be doing nothing, because unnecessary increases in position size often lead to suboptimal risk management.

This default mode is such a known part of who I am that my manager Pete once wrote “REDUCE” on a sticky note and stuck it to the bottom right corner of one of my monitors. Anyone who knows me as a trader knows my positions are either the right size or too big. Almost never too small. This is not good.

The “REDUCE” sign helped me stay aware of my default mode, which is that subconscious desire to increase risk even when there is no reason to do so. It helped me keep my hands off the BUY and SELL buttons when there was no logical action to take. Excellent traders hold two contradictory skills: they can sit and do nothing for long periods, and they can act aggressively, without hesitation. Most people can do one but not the other.

Listen to your default thoughts when your mind is quiet and determine if they are beneficial or toxic. For what it’s worth, this is a useful exercise to run both inside and outside trading. Do the default voices in your head criticize or motivate you? Do they spur you toward action or convince you to procrastinate?

I believe that navigating the cacophony of competing voices in your head and choosing which ones to ignore and which ones to listen to is one of the most important determinants of survival and success in both trading and in life. “Why Buddhism is True” has helped me with this. Shutting out the toxic voices and following the beneficial ones is the definition of conscientiousness, willpower, and discipline. It is also a primary purpose of meditation and mindfulness exercises.

When you have a choice to either watch TV or go lift weights, you hear two competing voices (or contradictory modules in your head, as Robert Wright describes it):

VOICE 1  
You will feel great if you go work out. All you need to do is get up off the couch and—

VOICE 2  
(INTERRUPTING)  
South Park is on! The really funny one from 2006! There’s Sour Cream and Onion Ruffles in the cupboard!

Your health and fitness will be determined by which voice you listen to. Same thing in trading. The voices are there too. For example, you slowly piece together a strong trade idea, execute, and write down your planned stop loss and take profit level. You like the trade idea, and you have a clear plan. Then half an hour later, the voices start:

VOICE 1  
Why hasn’t it moved by now? This idea must be wrong. You should get out. Last thing we want to do is lose money on a--

VOICE 2  
(INTERRUPTING)  
You are so cold right now. Like... Arctic cold. Cucumber cold. You should just--

VOICE 1  
(INTERRUPTING)  
Wait! It’s rallying now! Double your position!

It is remarkable that even the smartest people in the world have these dumb voices in their head. It’s all part of the fun of being a human being. Ignore the negative voices and slowly tune your default mode network into cleaner, quieter thoughts that ignore the past and future and focus on the Now.

Have a [heart-shaped](#) day.









































good luck ↑↓ be nimble

There is a ton of weirdly interesting and compelling analysis in here:

<https://blog.emojipedia.org/what-every-heart-emoji-really-means/>

For example:

### Most commonly used heart + (other) emoji combinations

Emoji	Name	← More frequently used with	Less frequently used with →
	Red Heart		
	Heart Suit		
	Heart Exclamation		
	Sparkling Heart		
	Two Hearts		
	Growing Heart		
	Beating Heart		
	Revolving Hearts		
	Heart with Arrow		
	Heart with Ribbon		
	Heart Decoration		
	Purple Heart		
	Blue Heart		
	Yellow Heart		
	Green Heart		
	Orange Heart		
	White Heart		
	Black Heart		
	Brown Heart		
	Broken Heart		

## **What is AM/FX?**

AM/FX is Brent Donnelly's must-read daily macro letter, published since 2004.

It is a clear and concise daily look at one or two important topics related to global markets. Brent talks macro, narrative economics, trading strategy, tactics, positioning, technicals, and market psychology as he covers whatever markets are in play. Topics covered include FX, crypto, stocks, fixed income, commodities, and macroeconomics.

Brent's huge network of hedge fund, real money, central bank, and trading contacts give him unique insight into what's driving markets today, and what will move markets tomorrow.

Brent offers actionable analysis, clear directional views, and real trade ideas as he helps you surf the current narrative. He puts new themes on your radar before they hit the mainstream.

AM/FX is relevant, concise, and original. And not boring.

**[Subscribe to AM/FX here](#)**

## **What is Spectra Markets?**

Spectra Markets is the shiny new digital media division of Spectra Holdings.

As President of Spectra Markets, my goal is to build a place where every trader and investor goes for smart, independent, and original financial markets content. The vision is to build a company that produces forward-thinking and mind-expanding financial markets coverage. Real-world market intelligence for every trader and investor.

**Spectra Markets: Look Forward.**

### **Markets and Trading Commentary Disclaimer**

This material has been provided by Spectra Markets, LLC (“Spectra Markets”). This material is confidential and therefore intended for your sole use. You may not reproduce, distribute or transmit this material or any portion thereof to anyone without prior written permission from Spectra Markets.

This material is solely for informational and discussion purposes only. Spectra Markets is not a registered investment advisor or commodity trading advisor. This material should not be viewed as a current or past recommendation or an offer to sell or the solicitation to enter into a particular position or adopt a particular investment strategy. Spectra Markets does not provide, and has not provided, any investment advice or personal recommendation to you in relation to any transaction described in this material. Accordingly, Spectra Markets is under no obligation to, and shall not, determine the suitability for you of any transaction described in this material.

To be clear: Your individual circumstances have not been assessed. You must determine, on your own behalf or through independent professional advice, the merits, terms, conditions, risks and consequences of any transactions described in this material. Securities described in this material may not be eligible for sale in all jurisdictions or to certain categories of investors. This material may also contain information regarding derivatives and other complex financial products. Do not invest in such products unless you fully understand and are willing to assume the risks associated with such products. Neither Spectra Markets nor any of its directors, officers, employees, representatives or agents, accept any liability whatsoever for any direct, indirect or consequential losses (in contract, tort or otherwise) arising from the use of this material or reliance on information contained herein, to the fullest extent allowed by law.

The opinions expressed in this material represent the current, good faith views of the author at the time of publication. Any information contained in this material is not and should not be regarded as investment research or derivatives research as determined by the U.S. Securities and Exchange Commission (“SEC”), the U.S. Commodity Futures Trading Commission (“CFTC”), the Financial Industry Regulatory Authority (“FINRA”), the National Futures Association (“NFA”) or any other relevant regulatory body. The author is currently employed at a trading desk. The opinions may not be objective or independent of the interests of the author. Additionally, the author may have consulted with various trading desks while preparing this material and a trading desk may have accumulated positions in the financial instruments or related derivatives products that are the subject of this material.

Spectra Markets does not guarantee the accuracy, adequacy or completeness of the information presented in this material. Past performance and simulation data do not necessarily indicate future performance. Predictions, opinions and other information contained in this material are subject to change continually and without notice of any kind and may no longer be true after the date indicated. Any forward-looking statements speak only as of the date they are made, and Spectra Markets assumes no duty to and does not undertake to update forward-looking statements. Forward-looking statements are subject to numerous assumptions, risks and uncertainties, which change over time. Actual results could differ materially from those anticipated in forward-looking statements. The value of any investment may also fluctuate as a result of market changes.

Spectra Markets is affiliated with Spectra FX Solutions LLC, an introducing broker that is registered with the NFA; Spectra FX Solutions LLP, which is a registered entity with the U.K.’s Financial Conduct Authority; and SpectrAxe, LLC, a swap execution facility that is currently in the process of registering with the CFTC. The disclosures for Spectra FX Solutions LLC and Spectra FX Solutions LLP related to the separate businesses of Spectra FX can be found at <http://www.spectrafx.com/>.