

NATIONAL BESTSELLER

With a New Preface and Afterword

MARKET WIZARDS



Interviews with
TOP TRADERS

JACK D. SCHWAGER

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Additional Praise for Market Wizards

“Market Wizards is one of the most fascinating books ever written about Wall Street. A few of the ‘Wizards’ are

my friends—and Jack Schwager has nailed their modus operandi on the head.”

—Martin W. Zweig, Ph.D.,

Editor, The Zweig Forecast

“It is difficult enough to develop a method that works. It then takes experience to believe what your method is

telling you. But the toughest task of all is turning analysis into money. If you don’t believe it, try it. These guys

have it all: a method, the conviction and the discipline to act decisively time after time, regardless of distractions

and pressures. They are heroes of Wall Street, and Jack Schwager’s book brings their characters vividly to life.”

—Robert R. Prechter, Jr.,

Editor, The Elliott Wave Theorist

Other Books by Jack D. Schwager

A Complete Guide to the Futures Markets: Fundamental Analysis, Technical Analysis, Trading, Spreads, and

Options

Getting Started in Technical Analysis

The New Market Wizards: Conversations with America’s Top Traders

Stock Market Wizards: Interviews with America’s Top Stock Traders

Schwager on Futures: Fundamental Analysis

Schwager on Futures: Managed Trading Myths & Truths

Schwager on Futures: Technical Analysis

Study Guide to Accompany Fundamental Analysis (with Steven C. Turner)

Study Guide to Accompany Technical Analysis (with Thomas A. Bierovic and Steven C. Turner)

Market Wizards

Interviews with Top Traders

Jack D. Schwager



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To my wife Jo Ann

and my children

Daniel, Zachary, and Samantha

for the love they give

*and, more important,
the love they receive.*

You've got to learn how to fall, before you learn to fly.

—*Paul Simon*

One man's ceiling is another man's floor.

—*Paul Simon*

If I wanted to become a tramp, I would seek information and advice from the most successful tramp I could find.

If I wanted to become a failure, I would seek advice from men who had never succeeded. If I wanted to succeed

in all things, I would look around me for those who are succeeding and do as they have done.

—*Joseph Marshall Wade, as quoted in Treasury of Wall Street Wisdom ,
edited by Harry D. Schultz and Samson*

Coslow

Preface to the Paperback Edition

The most basic investment question is: Can the markets be beat? The efficient market hypothesis provides an

unambiguous answer: No, unless you count those who are lucky.

The efficient market hypothesis, a theory explaining how market prices are determined and the implications of the

process, has been the foundation of much of the academic research on markets and investing during the past half

century. The theory underlies virtually every important aspect of investing, including risk measurement, portfolio

optimization, index investing, and option pricing. The efficient market hypothesis can be summarized as follows:

Prices of traded assets already reflect all known information.

Asset prices instantly change to reflect new information.

Therefore,

Market prices are perfect.

It is impossible to consistently outperform the market by using any information that the market already

knows.

The efficient market hypothesis comes in three basic flavors:

1. *Weak efficiency.* This form of the efficient market hypothesis states that past market price data cannot be used

to beat the market. Translation: Technical analysis is a waste of time.

2. *Semi-strong efficiency* (presumably named by a politician). This form of the efficient market hypothesis

contends that you can't beat the market using any publicly available information. Translation: Fundamental

analysis is also a waste of time.

3. *Strong efficiency.* This form of efficient market hypothesis argues that even private information can't be used

to beat the market. Translation: The enforcement of insider trading rules is a waste of time.