

Microsoft Word - Disciplined.rtf

Phil Dunn

The

Disciplined Trader

Developing Winning Attitudes

Mark Douglas

NEW YORK INSTITUTE OF FINANCE



70+ DVD's FOR SALE & EXCHANGE

www.traders-software.com

www.forex-warez.com

www.trading-software-collection.com

www.tradestation-download-free.com

Contacts

andreybbrv@gmail.com

andreybbrv@yandex.ru

Skype: andreybbrv

Library of Congress Cataloging-in-Publication Data

Douglas, Mark.

The disciplined trader: developing winning attitudes / by Mark Douglas.

p.

cm.

ISBN 0 13-215757-8

1. Stockbrokers—Attitudes. 2. Stock-exchange. I. Title.

HG4621.D68 1990

332.64—dc20

90-30237

CIP

This publication is designed to provide accurate and authoritative information in regard to the subject matter covered. It is sold with the understanding that the publisher is not engaged in rendering legal, accounting, or other professional service. If legal advice or other expert assistance is required, the services of a competent professional person should be sought From a Declaration of Principles Jointly Adopted

by a Committee of the American Bar Association

and a Committee of Publishers and Associations

© 1990 by Mark Douglas

All rights reserved No part of this book may
be reproduced in any form or by any means without
permission in writing from the publisher

Printed in the United States of America

10 9 8

New York Institute of Finance

A division of Simon & Schuster. Inc.

2 Broadway

New York. NY 10004-2207

2

To Paula Webb for her love, understanding and being there throughout the
process of writing this book.

3

Contents

Foreword

6

Preface

8

Acknowledgments

13

Part I Introduction

1

1 Why I Wrote This Book

15

2 Why a New Thinking Methodology?

24

Part II The Nature of the Trading Environment

from a Psychological Perspective

37

3 The Market Is Always Right

39

4 There Is Unlimited Potential for Profit

and Loss

41

5 Prices Are in Perpetual Motion with No

Defined Beginning or Ending

43

6 The Market Is an Unstructured Environment

49

7 In the Market Environment, Reasons

Are Irrelevant

56

8 The Three Stages to Becoming a Successful

Trader

61

Part III Building a Framework for

Understanding Ourselves

72

9 Understanding the Nature of the Mental

Environment

76

4

10 How Memories, Associations, and Beliefs

Manage Environmental Information

88

11 Why We Need to Learn How to Adapt

105

12 The Dynamics of Goal Achievement

119

13 Managing Mental Energy

132

14 Techniques for Effecting Change

141

Part IV How to Become a

Disciplined Trader

151

15 The Psychology of Price Movement

152

16 The Steps to Success

166

17 A Final Note

184

Index

185

5

Foreword

My unique position in the financial community has allowed me the rare opportunity to talk to and question thousands of traders, brokers, and trading advisors since 1979. I am not a broker or a letter writer. I am the chief executive officer of CompuTrac, a company that supplies technical analysis to stock and futures traders. I perceive my position as being neutral, one that allows people to open up and talk to me freely. I started trading for my own account in 1960

and very quickly became aware of the underlying psychological blocks to good trading and money management. This realization has been confirmed by all who have counseled with me.

As a result, I sincerely feel that success in trading is 80 percent psychological and 20 percent one's methodology, be it fundamental or technical. For example, you can have a mediocre knowledge of fundamental and technical information, and if you are in psychological control, you can make money. Conversely, you may have a great system, one that you have tested and has performed well for a long period of time, yet if the psychological control is not there, you will be the loser.

A good trader knows from experience that over a period of time he may engage in more losing trades than winning ones. But money management, and a careful assay of the risks protected by realistic stops, will keep the trader out of trouble and ensure that on the "big" moves, he will profit.

Money management is composed of two essential elements: psychological management and risk management. Risk management stems from the psychological factors being truly understood by the trader and "in place"

before risk is even considered.

6

I would especially caution new traders and market participants that reading and passively analyzing your motivations are certainly a necessity, but the acid test comes with active trading under pressure. Start slowly.

Question every trade. What motivated it? How was the trade managed? Was it successful? Why? Did you lose? Why? Write down your assessment and refer to your comments before making your next trade.

At all major CompuTrac seminars I try to have a workshop leader address the attendees on the psychological aspects of trading. The grim reaper who kills off "your equity" and disappears with your profits is not the mysterious and ubiquitous "they" but a simple misguided "you." Medea said just before she murdered her children, "I know what evil I'm about to do, but my irrational self is stronger than my resolution." If this sentiment reflects your mind set when you trade, then *The Disciplined Trader* is definitely the type of book you should be reading.