

## Book Review

For *Shares Charting Guide* March 2003

# 12.2 The Secret to Trading

## Trading in the Zone

- Master the market with confidence, discipline and a winning attitude.

By Mark Douglas - 216 pages - \$59.95

Hardback – ISBN 0-7352- 0144-7

Every now and again, a book comes along that I wish I had been able to read before I made some of the mistakes that have taught me so much about trading and investment. Mark Douglas' new book *Trading in the Zone* is one of them.

Mark broke new ground for traders in his first book *The Disciplined Trader*, published in 1990. I have read it several times since then. It remained one of the best books on the psychology of trading for a decade until his new book was published in 2000.

Mark Douglas is an active trader and has learned to become a good trader the hardest way of all – by losing all his money several times in the markets. Now he teaches others the secrets of trading, so that they do not have to learn the way he did.

*Trading in the Zone* is a difficult book to recommend to beginners. This is because they tend to reject the idea that the way they think about trading is the reason they lose money in the markets. Unfortunately, many neophytes do not yet realise what they don't know.

Notwithstanding this reservation, I think that anyone who wants to trade the financial markets should study this book. If you stay the course and succeed in trading, you will have read this book several times and internalised its lessons.

Mark believes that there are three types of active traders:

- 10% are expert traders, who win consistently in the markets. They already understand Mark's concepts of trading without fear, yet with restraint against taking undue risks.
- 30 – 40% are consistent losers. They have some winning trades, but many losing ones. They have a completely wrong idea about trading or are addicted to it, such that they cannot win.
- 40-50% are what he calls "boom and busters". They have learned to make money, but not how to keep it. They run up big profits in their

trading account, then give it back because they succumb to euphoria or self-sabotage, or both.

The first group probably don't need *Trading in the Zone*, yet most of them will own a copy and have read it several times.

It is probably not possible to save the second group, but they may be helped if they read it. The problem is that they tend to be in denial about what is the reason for their losses and therefore they subconsciously avoid learning the reasons.

The third group includes all those traders who made some money in the tech and Internet boom and gave it all back in the tech wreck. If they are still around and want to learn, they should buy this book and study it.

There is one other group of readers of this review that Mark does not really aim his book at. These are people who call themselves 'investors', rather than 'traders'. If they have read this far, they are probably thinking smugly to themselves that this does not apply to them. Wrong! The attitudes that the best traders use are identical to those that the best investors use.

Readers who lost money in the tech wreck, and are reading this *Shares Charting Guide* to learn more about the markets, will be focusing on the methods I have been teaching in the main articles. However, Mark puts forward in his book that, while this is good, it may not solve your problem.

Yes, you need knowledge. But you also need to think properly. Mark will explain to you that it is not the knowledge about the market that you did not have when you made those losses that is important. It is the underlying reason for learning more about the market that is your problem. Until you understand this, you cannot move from being a 'boom and buster' to a consistently winning trader.

Is there anything wrong with this book? Yes there is. It gives away too many secrets and may make life harder for the consistent winners by creating lots of new competitors for market opportunities from the erstwhile 'boom and busters'.

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