
A Review of the *Path to Consistency* Workshop Part 1

By Gary Stone

In September of 2004, Mark Douglas, author of *The Disciplined Trader* and *Trading in the Zone*, visited Australia as a guest at the ShareFinder Investment Conference on Hamilton Island. The following weekend, Mark presented his two and a half day workshop the *Path to Consistency* in Melbourne.

I, and my business partner, Bryan Daniels, along with twelve other traders had the pleasure of attending this workshop. As a result, Astrid Kennedy, editor of the *ATAA Journal* suggested that I write a review of my experience for the *Journal*.

I must say that initially I was somewhat reluctant to do so! I felt it would be very difficult to adequately convey, within the context of an eight or nine page article, material that I found to be, although simply expressed – complex, and philosophically deep – with the potential to have a profound impact on the way one thinks, not only about trading but also life in general. I gave it some thought and eventually decided to step into the challenge. I reasoned that what little I do manage to convey of the workshop in this article can still have positive benefits for the readers, and therefore should be shared.

Because of its length, it was decided to divide the article into two parts that will be published in this and the subsequent *Journal*. Also, I have included some of Mark's quotes that I transcribed during his workshop. They will be printed in a different font for ease of recognition. These quotes may or may not exist in his books, with similar or same wording.

The workshop begins on a Friday evening, and during approximately four hours, Mark presents a very detailed introduction and overview to get the participants prepared for the next two days. He begins the presentation with the premise that even though most traders would state their primary objective is to achieve consistent results, very few have a practical understanding of the principles

of consistency, or the underlying psychological dynamics of what it takes to make these principles a functioning part of their trading regimen. In other words, there's a lot more to trading than learning technical analysis if one's desire is to create consistent results.

Mark states: 'The trading environment presents us with some very difficult and unique psychological obstacles, or challenges. Until these challenges are transcended in some way, getting into the flow of the market and trading without fear or error will be virtually impossible.' Psychological challenges imply having to adapt the way we think. Which, in essence, means having to change what we believe about the nature of trading and how we go about fulfilling the objective of a consistently rising equity curve. To address these issues, the workshop is divided into four main sections:

1. Learning how to think in the markets' perspective (thinking in probabilities).
2. Understanding the nature of beliefs.
3. Identifying and neutralizing beliefs that are no longer useful in helping one fulfill their objectives.
4. Creating and growing beliefs about trading, that promote objective observation and flawless execution of one's chosen trading methodology.

There is a book – why the need for a workshop?

Overall, the workshop material covers the context of the book *Trading in the Zone*, however, with more in-depth explanations, and hence, understanding of why the way we think has such a profound effect on our bottom-line trading results.

I cannot overstate the significance of being exposed to this verbal presentation. Mark does very well at framing the material in a way that makes its assimilation as a functioning part of your identity much easier. For example, everyone I have spoken to that has read 'Trading in the Zone' raves about it.

Yet, I only know of one person, in the many hundreds that I have spoken to, that has actually completed the Trading Exercise on pages 189-201 in the book. I discussed this very issue with Mark and his experience is similar to mine.

What stops people from doing the exercise are their current beliefs at work.

'Beliefs seem to naturally resist any force that would alter their present form.'

'Once you tap into a belief it forces itself into your conscious mind.'

'An inherent characteristic of a belief is that we severely reject any possibility that exists outside the limitation of what we believe is true.'

Read the 'free money' true story example from page 143 in *Trading in the Zone* for proof of this statement. People read *Trading in the Zone* and understand the material but they do nothing about it and hence continue making the same trading errors that they have always made.

'There is a huge difference between being aware and believing.'

To change your current trading outcomes you need to step into a process that can instill new beliefs and de-energise existing beliefs that are dysfunctional for becoming a consistently successful trader.

That process is the trading exercise provided on pages 189-201. Also, the Workshop provides additional exercises that will further assist the process of change.

This important exercise is the process of completing 20 trades using a mechanical edge. Using a mechanical edge is THE technique of confronting conflicting beliefs. It is THE gateway to stepping into the process of energising new beliefs.

Committing yourself to trade a mechanical system in predefined sample sizes will cause a head-on confrontation between the variables that define your edge and any mental forces that are in conflict with the Five Fundamental Truths and the Seven Principles of Consistency.

Effectively working through these conflicts will create a resolute belief in probabilities and build a sense of self-trust that you will always, without hesitation, act in your own best interests.

You are 'there' when you are no longer experiencing any conflicting thoughts when you execute your mechanical edge.

Your belief in consistency will then cause you to act in the market effortlessly without any conflicting energy. And, you will have learned the Five Fundamental Truths as a core part of your personality.

This is why Mark offers the Workshop – to assist and facilitate traders, even those that have read both his books, to step into a process of change. Because the Workshop is very limited in numbers (and a long way away for Australians to attend in the USA), Mark has made the entire Workshop available on cassette tape including 2 hours of 1 on 1 consultancy over the phone.

One of the major challenges is that unsuccessful traders will not recognise or admit that they are making trading errors. However, their trading results will always be a stark reminder that they are not making money 'in an environment that is an endless stream of opportunities to enrich ourselves.'

Why do traders not recognise that they are making trading errors?

There are a number of reasons for this.

However, it all comes back to beliefs. The beliefs that stand people in good stead to make them successful in society/business do NOT work in the markets. To be successful in society/business you need to:

1. Control people, companies, opposition.
2. Be better than people, companies etc.
3. Have better and bigger ideas than others.
4. Manipulate data, people, companies, situation etc.

5. Convince people that you are right and your company is the right solution.
6. Compete and beat.
7. Win and be right (or more appropriately, not lose and not be wrong).
8. Outsell and out maneuver the opposition.
9. Be a step ahead of the opposition – try to predict their next move.

This is the paradigm that is set by being a part of society and people have formed time-grown sets of beliefs to ensure that they survive on a day to day basis in the environments of society and business. These beliefs determine everything that you feel, perceive, think, say or do.

Typically when you achieve any of the above you are rewarded either by getting paid, getting a bonus, getting a commission or through being victorious and you feel the associated positive feelings of joy etc that come with the patch.

Of course you cannot achieve any of the above on a consistent basis. You will, however, achieve some of them from time to time. When you do achieve them, on a random basis I might add, your existing beliefs, which are dysfunctional for being a consistently successful trader in the environment of the market, are re-enforced and strengthened. When we don't achieve the above in any given situation we feel pain, emotional pain. Along with emotional pain come negative feelings of anger, frustration, revenge etc.

One the key points made in *Trading in the Zone* is that two of the automatic hard-wired programs that all human beings have are to:

1. associate the current moment with previous experiences, and
2. avoid emotional and physical pain.

In a market environment emotional pain is experienced through:

- 1 Being proven wrong.
- 2 Losing money.
- 3 Missing out.
- 4 Leaving money on the table.

These are the four primal fears that traders, whose trading paradigm is set by the same beliefs that they operate under in the community and in business, try to avoid. Meaning that we become hard-wired to avoid the above four situations in a market environment. Any action that a trader takes to avoid any of the above four situations is a trading error.

This is why people do not recognise that they are making trading errors. To them their mind, through their time grown beliefs, is operating correctly. And it is, only it is operating correctly for a non-market environment.

What is your objective as a trader?

Before we state this we should look at the objectives that unsuccessful traders may have. These may be consciously planned or exist at the subconscious level. Most traders unknowingly have objectives by default such as:

- 1 Trying to prove themselves to friends and family through making profits.
- 2 Carrying out an addiction to (random) reward.
- 3 Trying to 'work out' the market and beat it through analysis.
- 4 Trying to control the market in the same way that they control their businesses or staff.
- 5 Trying to outdo the market like they do their competitors.

'Your ultimate trading objective is to get to a point where you can trade from a care-free, objective state of mind where you are making yourself available to perceive and act upon whatever the market is offering you in any given now moment from its perspective.'

As you can see from the discussion above, the beliefs that are instilled from being a participant in the community and in business do NOT set you up well to achieve this objective. Nor does the way that our mind operates through association and the automatic ability to invoke pain avoidance mechanisms set yourself up to achieve this objective.


Fearing any one of the four primal fear outcomes such as losing or being wrong is, by definition, thinking in the future and the past and, hence, takes you out of the 'now' moment. Through your hard-wired mechanism of association you have likened current information to a past painful experience which is out of the 'now' moment. The association creates the perception of a potential threat of emotional pain which automatically invokes your pain avoidance mechanism. This mechanism will cause thoughts to pop into your conscious mind (your beliefs are at work) that result in actions such as delay, freeze, avoid, justify, rationalise etc. In this state of mind you cannot be carefree and objective.

'As long as our minds are associating we are NOT in the "now" moment'.

The actions that could result would be doing more analysis of the charts, researching stocks on the internet, phoning a broker for advice, reading newsletters for additional input into your buy, hold or sell trading decision - all subjective actions - when you should have just acted on your edge.

Beliefs that are consistent with 'compete and beat' set the trader up to be in opposition to the market. You can never get into the flow with the market if you see the market as your opposition that you compete against to beat. The market is an endless stream of opportunities to enrich ourselves. To tap into these opportunities, you have to think in a way that gets you synchronised with and on the same side as the market, not in opposition to it, in the timeframe that you wish to trade.

So how do you achieve trading success on a consistent basis?

This question shall be addressed when the review continues in the May/June ATAA *Journal*. 

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A Review of the *Path to Consistency* Workshop Part 2

By Gary Stone

So how do you achieve trading success on a consistent basis?

The solution is to change the way that we think to get our minds into a care-free state of mind so that we don't interpret market information in a threatening way that could cause emotional pain, thereby bypassing the automatic invoking of our hard-wired mechanisms.

'Minds have a natural tendency to associate the now moment with an experience that has already occurred.'

'We have to think in a way that compels our minds to disconnect with previous experiences stored in the subconscious mind.'

Traders that reach this level have lost one or more large sums of money before they break through the threshold to achieve consistency. To create consistency four broad skill sets are required:

1. Define an edge objectively
2. Think in terms of Probabilities
3. Identify and neutralise self sabotaging beliefs
4. Recognise the state of euphoria and know what to do about it.

To achieve consistency in the market we need to think at a practical level from a probabilistic perspective. The alternative would be to think from a perspective of certainty. Certainty would be perfection in which case consistency would not be necessary.

If we accept that perfection is not possible it follows that we are dealing with uncertainty. How then can a certain outcome be achieved in an uncertain environment? Believe the following:

'At the macro level, over a large sample of events, I will have a satisfactory outcome. At the micro level each individual event has a random outcome.'

As long as you have a random outcome for each individual event you are working with probabilities. If you don't believe that each single event has a random outcome then you must believe that there is a way to know what will happen next.

'The ONLY way to KNOW exactly what will happen next would be to tap into EVERY market participants' mind and know what they are going to do.'

If you are convinced that this is impossible then you must believe that every single event will have a random outcome.

The probabilistic perspective that you need to create is one where you have an edge in your favour by the patterns that you use to enter and exit trades, combined with the way that you think. Your edge will deliver a sufficient percentage of winners where the average winning trade is larger than the average losing trade such that, statistically, you have a positive, mathematical expectation, that is, the odds are in your favour. With the odds in your favour you become the casino. If you don't have an edge you are the gambler with the odds against you.

Trading is a probability game. What does it mean to think in probabilities?

To think in probabilities means to have an edge and believe the Five Fundamental Truths (listed in *Trading in the Zone*) at the very core of your identity. Believing the Five Fundamental Truths keeps you in the 'now' moment. You completely accept that all you need to know is that over a series of events you have the odds in your favour. This is defined by your edge.

'Anything can happen.' 'Every moment is unique.' We must believe these at the very core of our identity because these are the beliefs that break the association with previous experiences that caused emotional pain.

'I am a consistent winner.' You cannot suddenly become consistent or try to be consistent. Being a consistent winner is a state of mind that is defined by your beliefs. Consistency is simply an expression of who you are and requires no effort or discipline to carry out being a consistent winner.

For you to become a consistent winner you have to confront and de-energise conflicting beliefs and energise new, more productive beliefs. You have to do something. To do this 'something' you need to have desire to change. Once you have made up your mind to do something about it, create a process and then step into the process. What is that process?

1. Identify and neutralise conflicting beliefs
2. Install new beliefs.

The primary trading objective is to become consistent. Consistency is a function of a carefree, objective state of mind where you make yourself available to perceive and act upon whatever the market is offering us (from its perspective) in any given 'now moment'.

How is this objective satisfied? Neutralise existing self sabotaging beliefs and adopt the Seven Principles of Consistency that are listed in *Trading in the Zone*. By adopt I mean make them a part of your identity by making them a part of your set of trading beliefs.

'If you believe it, you will create and perpetuate it because it will be a natural function and expression of who you are.'

'Your consistency happens inside your mind, not in the market.'

As stated before, various techniques are provided in the Workshop for working with your beliefs that simply cannot be covered in this article due to space reasons. One of the techniques is the trading exercise on pages 189 – 201.

Summary of the solution

As Mark states so simply, the solution is to get an edge, think in terms of the probabilities of the edge and trade the edge mechanically. So why is it so difficult to be consistently successful in the market? If it was simple, 95% of traders would be making money instead of 95% losing money in the markets.

The difficulty that traders have is stated in these next two critical steps which are a requirement to complete the successful trading equation:

1. Identify and neutralise self sabotaging beliefs.
2. Install new beliefs.

So often in market discussions and seminars people state that they don't have a problem with the psychology part of trading. 'Just give me a good system and I'll handle the rest.' The problem is that their definition of a good system is one that avoids the four primal trading fears. They don't understand probabilities in the first place and are evaluating a system from the community/business paradigm rather than from the paradigm of thinking from the market's perspective. It's a vicious circle, one in which they have failed the psychology of trading at the very first step.

Anybody can trade a system that never has a losing trade. The problem is that such a system doesn't, and never will, exist. Yet technical analysts spend years analysing the market from their pain avoidance perspective seeking a way to avoid losing and being proven wrong by the market – rather than thinking from the market's perspective, and defining an edge that has the probabilities in their favour with normal market events, such as loss trades, being wrong, missing out and leaving money on the table built into the edge.

Until they change the way that they think to that of thinking from the market's perspective they will continue to operate from an incorrect paradigm for consistently successful market campaigns. They will remain on an infinite path of market analysis that will never fulfill their objectives of making money (it may fulfill an objective of being a researcher of technical indicators).

People have a huge problem embarking on these two steps. As stated before, their existing belief systems stop them meddling with their identity. This is why people that read Mark's book don't do the trading exercise on pages 189 – 201.

To embark on a process of change requires you to genuinely make up your mind that you want to be different. If you are attracted enough to the benefits you will step into the process of change. Mark Douglas's work not only provides a path for you to follow to help you change but also explains:

- How our minds work
- Why you need to step into a process, and
- How to do/go about it.

What the Workshop meant to me

I am a designer of a number of successful mechanical trading systems two of which are available commercially and are supported on an ongoing basis through further research and enhancements.

I originally started designing these systems in the mid 1990's for my personal use to overcome the noise from the market environment which include newsletters, newspapers, TV, brokers, magazines and any other outside influences that affected my trading decisions. I was looking for a solution to become objective in my trading decisions.

I had tried the subjective approach to trading and could not make consistent money. Sure there were winning trades even large winners. Every person that has even a fleeting go at trading will always have winners because, as Mark makes so clear in his book and in the Workshop,

'you don't need to know ANYTHING about trading or the markets to put on a winning trade.'

Randomness of outcomes will take care of this and the uninitiated will justify it as skill. The key is to be able to do it on a consistent basis with a steadily rising equity curve in the timeframe that you trade.

I became a mechanical trader in 1998 yet there was something missing which took me some four years thereafter to ingrain into my trading. In my terminology it was to think in terms of my statistical edge as defined by my mechanical methodology. In Mark's terminology it was to think from the market's perspective. It is this way of thinking that overcomes the thinking of and reacting to the four primal fears stated above which, in turn, causes trading errors. When I studied *Trading in the Zone* the penny dropped.

It was a Eureka experience for me.


Reading Mark's book *Trading in the Zone*, which I first read in the later part of 2002 and then studied in detail for 3 months in 2003 (like I was going to sit a university exam), and now having attended the *Path to Consistency* Workshop, have provided me with all the answers and reasons for how I used to think and how I should think as a trader. Together they have:

1. Provided me with a path of self understanding to continue improving as a trader and as a human being.
2. Helped me complete the full circle of understanding what thinking from the market's perspective actually is and why this is so important to ongoing success in the markets.
3. Completed my understanding of the role that trading with a mechanical system plays in thinking from the market's perspective.
4. Confirmed for me the reasons why a mechanical system is required for nearly everybody that attempts trading. I say nearly because there are a very small number of the population that I believe can learn to trade markets intuitively. ('That's me!' I hear you say. If you were one, you probably wouldn't be reading this article!!)
5. Provided me with practicable trading beliefs to adopt as part of my personality (the Five Fundamental Truths and the Seven Principles of Consistency).
6. Provided me with practicable exercises to continue working with my beliefs with respect to trading and other parts of my life.
7. Put into perspective where subjective and intuitive trading fits with mechanical trading.
8. Helped me realise and accept that it is not necessary to go to the subjective or intuitive levels of trading to have a consistently rising equity curve.
9. Helped me realise that if I ever become a consistently successful intuitive trader it will happen quite spontaneously without having to try, and will be achieved through having recognised all of the risks associated with trading.

To me Mark is a facilitator. He facilitates the attendee coming to a realisation of self discovery of how their minds work and how to harness their minds WRT trading. 'The obvious is that which is never seen until someone expresses it simply.' (Christian Morgenstern, German Philosopher, 1871 – 1914).

He challenges the belief systems of his readers and Workshop attendees (and cassette tape listeners). This goes to the very heart of who we are as traders.

I got to meet and know Mark Douglas the person, trader, trading coach, author and trainer. I liked who I met. His delivery is fluid, credible and original.

I would recommend that if you are genuinely serious about trading to make money and accept that your trading goal is to become a consistently successful trader then you should take the opportunity of attending Mark's Workshop. Alternatively study, don't just read, *Trading in the Zone*. 

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