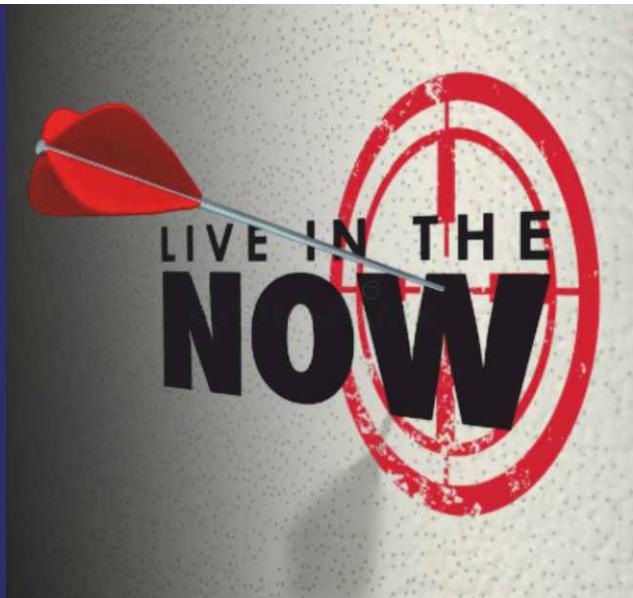


“Now Moment”

An essential key for the trader



A trader's approach toward the markets plays a vital role in achieving lasting success. In *Trading in the Zone*, Mark Douglas, a trading coach, explores the psychological foundations and mental frameworks that support consistent profitability. A presentation highlighting key ideas from the book was shared at the 2023 Annual Conference, and this article offers a detailed summary aligned with that presentation. These insights consistently prove reliable across asset classes, timeframes, and trading styles—whether discretionary, systematic, or a blend of the two.

From a psychological standpoint, a trader should focus on understanding the nature of the markets, operating with ease while trading, and responding to results with a constructive state of mind.

Firstly, why do markets exist? what is the nature of markets?

Any market, be it financial or non-financial, is a place where buyers and sellers meet for exchange of goods and services. The sole purpose of any market to exist is “trade facilitation” between buyers and sellers. Financial markets provide platform for exchange of goods (i.e. stocks, bonds, F&O contracts for commodities/indices/currencies etc.) between buyers and sellers. Trades are conducted in market at prices where both buyers and sellers available to do the business.

Market is a continuous stream of dynamic opportunities.

Markets are in constant motion, ever evolving and expanding. Even when markets are closed, prices are

moving. There is no rule that opening price must be same as closing price. The most fundamental characteristic of market is that *it can express itself in an almost infinite combination of ways*. In every market, there are unknown, hidden variables that are always present and operating constantly, a never-ending phenomenon. The key characteristics of market's behaviour is that each “now moment” and every price movement, are always unique occurrences with their own outcome and independent of all others. Uniqueness implies that anything can happen. Constant flow and interaction of both known and unknown variables, create probabilistic environment. To be consistently successful in dynamic markets, a trader must adapt, unlearn, and relearn, constantly.

Market is neutral & it simply generates plain information about itself all the time.

From market's perspective, each moment, every piece of information are all neutral. Market participants have their unique way of perceiving, interpreting market information and acting on it. From a trader's perspective, any moment, any tick, any price change can have a meaning. It is the set of beliefs, attitudes, approaches of market participants that affect their perception of market information. *Market information itself as such has no role in it. Market does not generate positive or negative information, that is the function of intellect that processes market information.*

So, it follows that **Markets are terrains full of uncertainty, creating probabilistic environment of multiple possibilities all the time.**



When we see Market for what it actually is, it tremendously helps one to drop the baggage of borrowed beliefs and attitudes, ideologies, false perceptions, misinterpretations etc. Then one can work towards adopting constructive mental frameworks and tools that suit oneself to navigate markets fluently.

Trader's Mental Framework

To achieve consistent success in trading, along with technical skills, systems and risk management, trader shall have his/her mental framework and perceptions aligned to that of market's.

Myth of Market Analysis and Trading Edges

It is one of the most common misconceptions that solution to trading problems lies in more or better market analysis, systems etc. But market analysis is not path to consistent results. More or better market analysis is not solution. When traders are obsessed with market analysis, edges etc. they crave sense of certainty that analysis/edge appears to give them. The black hole of analysis is trying to eliminate risk by learning about so many market variables as possible. Our attitude, approach and state of mind determine results. Intelligence and good market analysis can contribute to success, but they are not the defining factor.

Another common obsession for traders is 'edges/ trading system.' An edge is said to be nothing but an indication of higher probability of one thing happening over another. It is established that events that have probabilistic outcome can produce consistent results, when odds are in favour and sample size is large enough. Often, traders attempt hard to find unique edges from better market understanding. Over-reliance on sophisticated market analysis, edges may create illusion of 'certainty.' However, the 'unknowable unknown' dimension of market is always at play and thus, all the efforts to "predict" based on intelligence are eventually found to be futile. So, while accepting ever-present uncertainty in markets and howsoever sophisticated tools/systems, edges, secret techniques etc. a trader may have, proper risk management is very crucial.

For Eg, the very idea of 'a high probability trading system with odds in favour' may give misleading basis to risk management. Based on statistical results of testing (note that testing is always performed on historical data, but market dynamics are always evolving), if one contemplates that a particular trading system has very

high probability when odds are in favour and thus, deploys the same with more relaxation in risk management, the moment 'odds go out of favour,' trading account blows off.

It is a dangerous assumption that knowing something about market through sophisticated market analysis or special edges can prevent chances of losses and pain arising from it. In fact, trying to avoid something unavoidable has disastrous effects on ability to trade effortlessly. So regardless of all the edges and odds, the classic edge that helps tremendously to sail through dynamic markets is risk management.

Trader's Mindset

Next aspect is Trader's own mindset towards market and his/her trading results. A genuine winning attitude produces better overall results than analysis or technique. Since market is neutral, it doesn't create our attitude/ state of mind, it simply acts as a mirror reflecting what's inside. Consistency and solutions are in mind, not in markets.

The most common and costly trading errors can be eliminated by predefining risk, cutting small stop losses fast and systematically taking profits. Trader needs to address most primary trading fears – being wrong, losing money, missing out and leaving money on table. When traders willingly create rules/systems, take responsibility for their trading decisions, do not perceive trading as opportunity to enjoy random, fast rewards, then most of their trading problems disappear.

One of the most important skills is *learning to accept the risk*. The only certainty in trading is constant uncertainty. All the trades are risky because the outcome is probable not guaranteed. Taking risk while putting trade doesn't mean person is correspondingly accepting risk. **Accepting risk in trading means accepting consequences of uncertain outcome without emotional discomfort or fear.**

Internal structure of mental discipline must exist, that guides one's behaviour in a way that one acts in his /her own best interest. It eliminates effects of fear and recklessness. In markets, psychological gap is experienced when a trader predicts what will happen and think about all the money that could have been made, vs. actually getting in and out of trades. *To master the art of trading, one must aim to close the gap between possibilities and performance.* So, when one consciously



trains one's mind to over-ride natural inclination and sets one's approach about trading where one would totally and unequivocally accept the risk in every trade, one is able to get in care-free state of mind.

Another problem is our mind's conditioning in our social structures, is collective oriented, rather than individual oriented. It also provides very few opportunities for individual to navigate boundary-less terrain. Most of the times, individual's need for self-expression gets suppressed/compressed while being in societies that need order to function. Unreconciled/denied impulses (not just in trading, but from childhood, thousands of denials to individuals get stored in sub-conscious mind) go on accumulating. They create addictive and compulsive behaviour patterns and affect the ability to stay focused and take disciplined consistent approach to trading.

Now, trading is an activity that offers an individual unlimited freedom of creative expression (which has been denied to most for all their life). The combination of unlimited possibilities in trading and unlimited freedom to individual – creates a unique psychological challenge. It shall be dealt with total awareness. So, a trader has to continuously monitor themselves and ensure that his/her beliefs, habits, perceptions are in alignment with their intents, goals, and nature of markets. Then, lack of internal conflict would result in greater capacity to stay focused and find more chances of accomplishing objectives.

“The Art of Trading in the Zone”

When a trader is completely in sync with market's truth from market's perspective, he/she is free and available to tap into endless stream of opportunity flow.

Our mental structures to perceive opportunities and threats are created from our encounters and interactions with the external environment. Primarily, the information is made available from environment's perspective. But

untrained mind has profoundly limited effect on our perception of this information. Thus, the possibilities inherent within that information remain invisible.

Essence of what it means to be in “the zone” is - trader is in sync with markets. The zone is a space where a trader is not only reading collective mind but is also in harmony with it. The best frame of mind is to stay completely available to “now moment of opportunity flow,” so one enters the zone spontaneously without any inner conflict. Traders who have experienced being tapped into the collective consciousness of the market can anticipate a change in direction just as a bird in the middle of a flock or a fish in the middle of a school will turn at the precise moment that all the others turn.

The basic objective of trading is to perceive the opportunities available, not the threat of pain or pleasure of gain. Best traders consistently stay in the

flow because they don't try to get anything from the market. They simply make themselves available to the stream so that they can participate in whatever opportunities market is offering at any given moment of time.

When a trader makes himself available to perceive endless stream of opportunities without self-criticism, regret, pride etc., he/she will be in a best frame of mind to act in their best interest, learn, and evolve from their experiences. One shall trade markets to give self-

systematic way of winning, not for avoiding pain or prove something.

How most of the trader's approach markets?

- They are afraid of inconsistent random results
- They don't recognize that it is their very approach that's causing random results
- They perceive market information as painful
- Their pain avoidance and defence mechanism gets activated

- Real time information from markets, signals get blocked/obscured/avoided/chosen
- So, they end up cutting themselves off from constant flow of opportunities
- More the focus on not to make a mistake, more mistakes are made
- Very act of trying to be consistent takes one out of opportunity flow, making it more likely to lose

Whereas the best traders achieve success because they: -

- Trade without fear and over-confidence
- Pre-define and accept the risk in every trade and take responsibility
- Accept that 'anything can happen' without any doubt or internal conflict
- Don't try to hide from unknown, uncontrollable market variables (no denial, no rationalization/intellectualization through analysis)
- Focus on information that helps to spot opportunities to make profit, not the information that reinforces fear
- Don't obsess over & try to know in advance whether an edge will work or not
- Unconditionally accept uniqueness of every trade

and each edge

- Risk inherent in trading do not cause them to lose discipline, focus and confidence
- Perceive what market is offering from its perspective
- Focus on "now moment of opportunity flow" and spontaneously enter the zone
- Act on trading decisions without any hesitation or reservation
- Put a trade freely, let the markets decide outcome, admit it, and exit smoothly

In closing

Since the very nature of markets is ever-changing and uncertain, all the systems and tools are best to be seen from utilitarian perspective only, not for getting any certainty/confirmation. When a trader incorporates mental frameworks to function along with unknown, he is more likely to trade without restrictions and consistently.

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About the Author

Varsha Kulkarni is member of Advanced InvesTrade Forum from Mumbai chapter. She is professionally qualified as CA. Her approach towards trading is built around price action and trading psychology. She is regularly tracking and actively participating in equity markets.