

The Psychology of Trading: Tools and Techniques for Minding the Markets

Brett N. Steenbarger

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"The one, only, and by far the best book synthesizing psychology and investing. In addition to providing modern, scientific knowledge about psychology, this book provides a mirror into the mind and wide breadth of knowledge of one of the leading practitioners of brief and effectual cures. Will help to cure your trading and your life."

-Victor Niederhoffer, Chief Speculator, Manchester Investments
Author, *The Education of a Speculator and Practical Speculation*

"How refreshing! A book that rises above the old NLP model of the 80's and provides insights on how our relationship with the market is indeed a very personal one. Not only has Steenbarger provided some fantastic tools for the trader to transform his mindset, but he has contributed unique trading ideas as well. Brilliant!"

-Linda Raschke, President, LBRGroup, Inc.

"'Investigate, before you invest' was for many years the slogan of the New York Stock Exchange. I always thought a better one would be, 'Investigate YOURSELF, before you invest.' The Psychology of Trading should help you increase your annual investment rate of return. Mandatory reading for anyone intending to earn a livelihood through trading. "

-Yale Hirsch, The Hirsch Organization Inc., Editor, *The Stock Trader's Almanac*

"This highly readable, highly educational, and highly entertaining book will teach you as much about yourself as about trading. It's Oliver Sacks meets Mr. Market-extraordinary tales of ordinary professionals and individuals with investment disorders, and how they successfully overcame them. It is a must-read both for private investors who have been shell-shocked in the bear market and want to learn how to start again, as well as for pros who seek an extra edge from extra inner knowledge. Steenbarger's personal voyage into the mind of the market is destined to become a classic."

-Jon Markman, Managing Editor, CNBC on MSN Money
Author, *Online Investing and Swing Trading*

"Dr. Steenbarger's fascinating, highly readable blend of practical insights from his dual careers as a brilliant psychologist and trader will benefit every investor; knowing oneself is as important as knowing the market."

-Laurel Kenner, CNBC.com Columnist, Author, *Practical Speculation*

The Psychology of Trading: Tools and Techniques for Minding the Markets Details

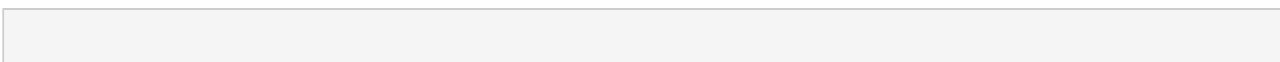
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From Reader Review The Psychology of Trading: Tools and Techniques for Minding the Markets for online ebook

Nico Nieuwendijk says

Steenbarger - in trading circles a famous psychologist and day trader - wrote with 'The Psychology Of Trading' one of the most important books about the most important aspect of trading. A must-read for every student as well as the accomplished trader. Also interesting for all people interested in psychology and the many psychological biases people tend to suffer from.

Michael Huang says

Very disappointing.

The author is a psychotherapist who does trading on the side, presumably when the therapy business is slow. Being a trained scientist (you can argue about whether psychotherapy is a true science), he applied what he knows best (psychology) to the problems traders have -- intuitively traders tend to go through emotional roller coasters a lot. This is a book that documented some of these sessions (not always with traders) and attempted to draw some general lessons about "psychology of trading". It could be a reasonably good book under a different title, say "Random thoughts from a psychotherapist", but "psychology of trading" is way out of the league of this book -- and the subtitle "tools and techniques for minding the market" is borderline misleading as a title.

Let's start with the good part. Being a psychotherapist with a long history of practice, the author has an interesting array of client stories to relate. If these are not illuminating, they are at least an interesting collage of people and their problems. Being a (presumably) good therapist, he will also be able to convey some key insights of the business. For example, he mentions that the purpose of therapy is to "comfort the afflicted and afflict the comfortable". I thought that was cute. At least it tells you that unless you are bored by your comfort, don't go see a shrink.

Unfortunately, the list of the bad part is somewhat longer. In "How to read a book", Adler and van Doren tell you to X-ray the book in order to understand the general message. This is when I first had the feeling it's not looking good. Chapter titles are like "Evil Spiders", "The Big Man Beneath the Bed". You know the author is going to play hide and seek. Any insight is only going to be shelled out when you finish listening the long stories, their asides, and *their* asides. Unfortunately, this turned out to be the case. If the stories are interesting, and the writing is good, I wouldn't mind nearly as much. But some of the stories are downright weird, leaving you with big question marks (in the shape of WTF) floating in front of you.

You ask, do we learn anything about trading after all? And that's the biggest thing. When the lessons are finally revealed, they often feel like flimsy narrative to support some vague principles that sounded good. For example, he talks about psychotherapists "make an effort to tune out clients' words and simply absorb the feeling tone of their verbal and physical communication". I thought this was a very interesting piece of insight into how they work. But listen to the lesson when it applies to trading: "This can be tremendous help in trading, as well." and that "A tensing of my muscles and a shift in my posture in the chair at my trade station is often the first clue of a trade that is not living up to expectations." To a trained engineer, I'd say this is pure voodoo BS: there is no quantitative evidence, no control study, and you can't apply it

methodologically. And it gets worse. Later on, the author explains that forehead skin temperature is associated with cortex activity and he will not issue a trade if the temperature is "below baseline". Now that *sounded* extremely hardcore scientific, doesn't it? Except it is not. I did a cursory research on forehead temperature with brain activity and found no scholarly article to conjecture and support the belief that lower temperature than baseline means something. There is no citation in the book to support the argument. This to me is worse, as it is not voodoo-presented-as-voodoo, but voodoo cloaked in scientific robe.

I get it that Dr. S needs to make a living and establish himself as an expert in some field and get a reputation to attract clients as well as speaking opportunities. And who knows, to those traders who read 0-5 books a year, there might be a lot of insights new to someone. But after spending quite some time (I don't drop a book midway) reading not at all enlightening nor entertaining 330 pages, I get angry.

Of course, YMMV. But proceed with caution.

Mona Sethi says

Awesome read. Case studies where I could see so many recognisable patterns in myself. Learnt amazing insights. Will read it again soon.

Candy Chiu says

The author devoted more than half of the book to clinical psychology. It is a worthwhile read, however, the most practical may not find it useful.

Terry Kim says

Superbly written, fascinating book.

Dr Brett Steenbarger is a professional Psychiatrist and also a Trader. There is no other better qualified person I could think of to write this book about Trading Psychology.

Book contains various examples of real patients who have variety of different mental problems and past that cause personality and social disorders. Dr Steenbarger explores his deep perspective of these psychotherapy and relates it to trading psychology (various issues that many traders face).

I believe that success as a Trader really comes down to two points, Edge and Psychology. This book is one book that can help tremendously on Psychology of trading and also psychology to live a happier and more fulfilling life. If you are a Trader or an investor, and you havent herd of Dr Brett Steenbarger, I strongly recommend you read this book (earlier the better).

I'm stoked to read Dr Steenbarger's other books and I'll finish this review with a great quote from the book:

"It is far better to struggle in the service of one's dreams than to find instant success at meaningless work."

Jason Field says

Contains countless gems of knowledge that can be used in life let alone trading performance. Well worth the read.
