DR DARIUSZ SWIERK

LOOK INSIDE TRADERS MIND

CONVERSATIONS WITH MARKET MASTERS

"A guide for those seeking real results"

www.NewCityTrader.com

Dariusz Swierk, PhD

Conversations with Market Masters

Detailed secrets of their success

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The Fastest Way To Achieve Success In Trading – The Results Of A 10-Year Study

It all began with a typical history…

After losing my first deposit in 2007, I felt awful. I thought that I need to do something about it. The research has shown that only 5% of traders make money regularly, so I wanted to find out the reasons for it. Unfortunately, at that time the amount of literature on trader development was next to nothing. It was a pity, because I wanted to know the steps that would lead me to regular income in Forex.

One day I came up with the idea of finding the best traders in the world and then asking them about everything that is relevant for achieving success on the market. I wanted to know their full story — from the beginning, up until now.

In the result, **I interviewed almost 100 traders from all over the world**. This book contains some interviews with the best ones of them. You'll find there opinions of the world-famous traders, millionaires, winners of international contests, and people who had control over market and have plenty of personal experience in this matter. **Some of my interviewees had more than 50-year experience** in all of the possible markets.

During the discussions, I asked every question I considered significant. Among others:

- What kind of systems did they use?
- What system do they use now?
- How did they manage stress?
- What challenges did they face?
- How did they overcome these issues?
- What truly works?
- What did their personal money management look like?
- What did their development look like?
- What helped them achieve success?
- What made them the best in the world?
- What were their greatest accomplishments?
- What did they learn from their biggest losses?
- What are their key tips and tricks for the beginners?

I asked **over 80 questions** like these.

I truly hoped to discover everything that decides about the success of the best ones, all the problems standing in the way of the profitability and possible solutions to them.

Moreover, just to make sure that I didn't overlook anything, I researched **the most notable problems traders encounter at every stage of the development**. More than 1600 traders took part in the survey. That's how the catalogue of problems was created.

I guess you know what's coming next :)

Yes, I asked mentors about the solutions. I used to do this when I was working as a consultant and a corporate trainer — always with good results.

The idea proved successful!

To make a long story short (I'm not the most important person in this book after all), we found out several new solutions. And, eventually, the catalogue of methods used by the best people in the industry was born.

These are some of them:

- a new trader development map (steps on a journey towards knowledge about market functioning, different marketing challenges, possible problems & solutions),
- the "glass ceiling" limiting traders is a cash balance (regarding the account or the position) causing stress,
- characteristics of successful traders (38 traits differentiating top traders from the rest) — these are the goals we are striving for when building trader skills
- best methods of handling losses (23 methods of dealing with losses)
- methods of handling losses and series of losses,
- methods of handling stress (according to traders and military psychology applied to Navy Seals units),
- entry techniques leading to big and fast profits,
- 12 ways to build discipline (ancient Greece, military psychology, and trader methods),

- ways of dealing with emotions and overcoming fear (once again the best methods are related to Navy Seals and modern… psychology).

I'm thinking of publishing this catalogue of techniques as a decent course that would allow to acquire wisdom of the best ones. For more information on the overall progress regarding this project, visit www.NewCityTrader.com or contact us *digital@newcitytrader.com*.

I found meeting with all these people a truly enriching experience. Another great benefit is that I made friends with some of them. I guess that the image of intelligent but also cold and unapproachable investors was created by media. People see them as guys like Fordon Gekko from "Wall Street." My experience was totally different. Most of my interviewees are fantastic people, cheerful and willing to help. I didn't notice them to be neither arrogant nor haughty. Quite the opposite; they were modest, cool-headed, and fully prepared. They surely knew what they were talking about.

That was a fantastic experience for which I would like to thank you all!

Part I

Legends of Trading

Conversations with Larry Williams

Larry Williams has been trading futures and stocks for over 50 years. Larry has created numerous market indicators including Williams %R, Ultimate Oscillator, COT indices, accumulation/distribution indicators, cycle forecasts, market sentiment and value measurements for commodity prices.

In 1987 Larry won the 1987 World Cup Championship of Futures Trading from the Robbins Trading Company, where he turned real $10,000 to over $1,100,000 (10,900%) in a 12-month competition.

Ten years later his Academy Award Nominee actress daughter Michelle won the same contest achieving a 1000% increase in real capital.

Larry Williams has taught thousands to trade the markets, and has been the only futures trader in the world to repeatedly trade $1 million of his own money live at seminars around the globe.

In between trading, researching and developing trading tools, teaching, and writing, Larry managed to run twice for the U.S. Senate as well as 76 marathons.

Larry's long list of best-selling books includes 1982's How to Prosper in the Coming Good Years which accurately forecasted the largest bull market and surge in economic growth in American history.

He is a past board member of the National Futures Association and the recipient of numerous awards, including Futures Magazine's first Doctor of Futures Award, the Omega Research Lifetime Achievement Award, Significant Sig (a Sigma Chi acknowledgement), Traders International 2005 Trader of the Year, and on October 6, 2002 the mayor of San Diego declared that day as Larry Williams' Day.

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Beginnings

When, have you for the first time considered trading as something worth trying?

Well, it was in 1962. I'm an old guy.

Could you describe your first system?

By today's standards it wasn't much of a system. We didn't have computers back then. It was more a strategy than a system. It was based on the market being oversold and in an uptrend as measured by the advanced decline line. That was the strategy that I developed somewhere in the 60s. I wasn't a futures trader, that was for stocks.

Did you experience periods of hesitation when you wanted to leave trading?

Sure, I still do today. It's not an easy business to be a successful trader. And there are always doubts and questions. It's always frustrating to be a trader. Not an easy life.

Was there any memorable experience that determined you to trade further?

What encouraged me was that to most of the traders it looked like easy work. You didn't have a job, you didn't have a boss. When I grew up, my dad used to work in an oil refinery. It was a hard, dirty, stinky, sweaty work. I didn't want to have to live like that. My dad always told me that you have to think with your head, learn to work with your head, your brains. Not with your back like he did. And this looked like an ideal thing. If it goes up, you make money. That sounded like a good deal.

Did you have any external support at this time, such as friends, family, a mentor or a book?

No, not really. Along the way I met a couple of people that gave me some insight into the market. One was Gale Haller. He was very kind, I spent maybe three days with him over a couple of years. Back then you wrote letters, so we exchanged a lot of letters and became friends. He was very inspirational and encouraging. He showed me that it was important to try to assist other people. There was another fellow, Bill Meehan. I

paid Bill a lot of money. He came and worked for me, taught me what he knew. He was a member of the Board of Trade. He was very helpful. Other than that I didn't have anybody to hold my hand. For the first ten years I was holding my own hand. Usually in prayer <laughterter>.

Did you keep any trading journals? Were they really helpful?

I didn't back then, no. I do now. Wasn't smart enough to figure that out then.

Did you have a high level of stress when you started?

Probably not, I was too young to understand what I was doing. When you're young, you'll do all sorts of stupid things. You drink Red Bull and jump off cliffs. I probably wouldn't do that at my age now. I didn't realise what I was getting into, so I didn't feel as much stress as in the later points of my life. Plus, it was just me. Now, if I do something, there are people all over the world following me, so I have the stress of market and looking like a fool to all these people. It's a double stress now.

How do you cope with stress today?

I drink a lot <laughterter>. I think you need to put things in perspective. Nobody can be right all the time. I can't be right all the time, I've proven that. The acceptance that this is a very imperfect business and not overbetting, not betting beyond your emotional threshold.

Did you attend any trading seminars or training sessions?

No.

What did you learn from the early phase that benefited you most?

One thing I learned is that most of the stuff that's out there is junk. At least for me. Things like Fibonacci and Elliott wave, astrology and all these may work. But they didn't work for me. I had to find something that was compatible with how I thought, how I acted and reacted. That was kind of a breakthrough when you figure out that this doesn't work, that doesn't work. It doesn't work for anyone and for me it didn't work. That was one thing.

I think I was getting into a cadence of pace, I could almost feel back then what the market was doing, where it was going to go, I just sensed it. It's kind of a unique quality. To learn to be in phase with the market, learning to use stoplosses. When I was young, it was written about me, Paul Tudor Jones called me "Kamikaze Cowboy", because I bet so huge. I had big up moves and big down moves. I used to not care, I liked getting into a fight, I didn't care if I lose, I just like to fight. I was pretty much trading the market that way, too. Just had no fear of it.

Your father was a refinery worker and you said that you were determined not to work there. What is the role of motivation or determination in your success?

I think both my mother and my father were very motivational. My mother definitely wanted her children to do things, whatever these things were. And my father made it really clear to us that we should go to college. He worked hard to help his family have a better life. His father helped him to have a better life. It was like he was saying "You've got to find a way to live and work that's better than what I'm doing because my life sucks, my work sucks, it's hard". So, there was a lot of motivation from my family to get educated. And to be productive workers. Not to be sponges on society.

What was your first year trading like? Was it profitable?

I can't even recall. Probably wasn't profitable or not wildly profitable. I think I went for two or three years of success, failure, success, failure. If on a given day I was ahead, I was ahead. But a few months later I might be a failure again. It was very much like a yoyo.

Did you have a regular job? How did you reconcile trading with this job?

Yes, I did have a job. I did everything I could not to get fired <laughterter>. Because I was paying more attention to the markets than I was working. I have always worked, but didn't have much of a life. As soon as I got home I would be working on the markets. Then I looked for a job that would give me more freedom to look at the markets more. In 1967 I was finally up and running and able to tell people what I was doing. And

they wanted to know. So I started writing a little letter about what I was doing. One of my old college professors always said "Don't give it away for free". And I never knew what that meant until everybody wanted my writings. Then I realized what Maxwell said and I decided to give a scholarship in his honour to University of Oregon. This year it will be 10 scholarships in his name. So, I started charging for the newsletter and this was an up period in my life. That started my publishing career.

What books have had the biggest influence on you?

For just the markets, it would be "The Zurich Axioms". If you go beyond that, the great works of the world, whether it's the Bible – there are so many lessons about life and cycles in the Bible, books on philosophy. There are so many good market books that I don't even know where to begin. Books on understanding myself, like my son's book he has written. I wish I had this thirty or forty years ago. It's called "The Mental Edge in Trading" by dr Jason Williams. My son is a psychiatrist and he interviewed professional winning traders to see what the personality types were and how they dealt with failure and success. I wish I know what was in that book a long time ago. I suppose "Transactional Analysis" by Eric Berne was a helpful book. There was also a series of books on self-awareness, but I can't remember the author's last name. I did a lot of zen Buddhism, zen monasteries in the mountains of California. But the basis of the whole attitude was acceptance of who you are and that it's an imperfect life. You can't be addicted to

perfection because you'd be frustrated your entire life. So, just accept what's there.

Which of your books would you recommend to a beginner?

For a stock trader, it would be the first book I ever wrote "Sure Thing Stock Investing". Most of the things are still alive and working quite well. Then, you can go to another level. Just like in college, you can go to a graduate degree. In commodities I would begin with "How I Made One Million Dollars Trading Commodities Last Year". In a way it's inspirational. Here's a young kid that was able to make a million dollars in a year and didn't have much money to go with. There are also techniques in the book, but it's inspirational, to get people interested in this business. My other books get more technical and less inspirational, so that might not mean as much to a beginner.

Taking into account your actual experience, do you have any suggestions for beginners?

Study money management.

Be humble. Because the markets will humble you. Repeatedly <laughterter>.

Learn that conditions move the markets. Charts don't move the markets. Charts are reflection of price action. But they're not price action. They're just a reflection of it. Like words are just letters of the alphabet, but they don't represent just the letter. Like the word "love" doesn't just represent letters l, o, v, e, but has different meaning. That's what charts are. They're

reflection of what happened. But they don't make the markets move. Buyers and sellers move the markets.

Transformation from a beginner to a successful trader

When did you reach the level of consistent gains?

It took quite a while. I don't think I was consistent until maybe 6th year of trading. Most people don't want to sit through that long. They think they are going to get it instantly. They are smart. They make a lot of money – they are a doctor or a lawyer. But even to these people, it takes much longer than they think. It's not a "get rich quick" business.

Could you describe your biggest win? How did you feel?

I felt dejected, I felt like a bit of a failure. Because I could've made more money. It could've been a better trade. It wasn't a feeling of glee, exaltation and happiness. It was a good feeling, but still a bit of a failure because I could've had more contracts on, I could've held it longer.

I was trying to make a million dollars a week, that's what was happening. I made a million dollars in a year, I made a million dollars in a month, I made a million dollars in a week. And I was trying to make a million dollars in a day.

By the time I was out of the trade I was up around 850 thousand dollars but that wasn't my goal. So it felt like a failure. It didn't

feel particularly good, it felt like a trade. When I was out of the trade, the pressure was off for me for a while.

When you look at the good traders – Paul Tudor Jones, Steve Cohen – they are of course managing billions of dollars but they do this all the time. They're doing it with a bigger amount of money. But that's the thing that confuses people.

When I'm stuck in my trading, to me a million dollars is a hell of a lot amount of money to win or lose. My dad never had that in his entire lifetime. So I still have an emotional hot button which is the dollar amount, even if it's a percentage. To me that's just a gargantuan amount of money that I still have emotional issues to the raw numbers of dollars.

Could you describe your biggest mistake? What lesson did that experience teach you?

My biggest mistake was paying more attention to the markets than to my family. I learned that I have to balance my life. Clearly, if you are going to be successful at something, you're going to have imbalance in your life. You're not going to get anywhere if you don't go to extremes. But I just had to be more careful about balance.

When have you become interested in Forex and indexes?

I have never been that much interested in that to be honest. I did trade them for a little bit. But frankly, I felt it was a bad deal. Because you pay a higher commission. Especially when

I first started trading forex, they charged you 2 pips going in, 2 pips going out. Sometimes the price would go beyond my limit order and I wasn't filled.

This is crazy, I can't get filled, there's no legitimate market here, no exchange, no regulation on this thing. And I'm paying 45 dollars where I paid 3 dollars before. So, I don't trade Forex. Maybe now you don't have as much vigorish in there. I'm paying 4 dollars roundturn, I could probably get a lower rate if I wanted. But I don't like to beat up my brokers. And I'm an old guy.

To me Forex is complex – you're doing all this spreads versus the yen, versus the D-mark, versus the Australian dollar, whatever. And I just want to be long wheat, cattle or gold. I can get all the trouble I want in a simple market like that.

And what I'm very upset with the Forex community about is to offer people 50:1 or 100:1 margin. I have more respect to the people that are selling crack cocaine on street corners than to people offering 100:1 margin. I actually mean that.

If you're offering 100:1 margin, it's just a question of time when your client will lose money. Period. It's going to happen. Why do people do that? Why do they pounder these poor people like that? That's always been a real concern of mine. People think: "Oh, I can open an account on a credit card!". Yeah, you can but you're going to get blown out. Really fast <laughterter>.

Maturity

What do you do to mentally prepare yourself before each trading day?

I don't do anything special. By this point in my life I'm a professional. I come to work and I'm prepared, I know what I am going to do.

There was a point earlier in my life when I tried affirmations, deep breathing and whatever. But I'm a professional, I record my notes, I record my trades, I know what I'm doing. If I don't have the time to trade, like last night when we went to a big fancy dinner party, I don't trade. I don't go through any mantras or anything.

Today, do you have one particular system or many systems?

I have several. Some of them are automatically traded. I don't know if I'm long or short. They just do the trading during the day. Then I have a strategy that I implemented in my own trades.

I have a crude oil trading system, an e-mini trading system, a gold system, a bond system – those are just traded mechanically by a computer. And then I have other trades that I will take based on my indicators.

If I understand you properly you do use robots?

Yes, we call them automatic trading systems or mechanical trading systems. I have those. I could develop them for the Forex market if I wanted to. But I like the big markets like gold, crude oil, S&P, bonds. There are some great trading opportunities there.

What do you think is the role of discipline in trading?

It's huge. If you don't have discipline, it's not just about trading but also in business, if you're an athlete, you're going to fail. Just a question of when. You have got to stick with what you're doing here.

What would be your advice to the people who have low level of self-discipline?

Get a day job <laughterter>. They're not going to last. Better donate your money to the Salvation Army. Because you're going to lose it. This way you will at least know who got your money and do some good for the world.

Do you have any regrets regarding your career path as a trader?

Yeah, sure. A lot of regrets. I regret that I was too much of a cowboy trader, so I didn't get into money management. That's where the big money is.

I mean I do OK. But the big money is in managing, these guys manage billions of dollars. I could have done that and I blew it. Because I was too much of a hot shot guy.

I also regret that I don't have much regret from the institutional people because of that. I think the public people respect me and admire what I've done. But the big boys don't want to have anything to do with me because I'm not one of them. That's a failure or regret.

I regret that I haven't been more disciplined and more organised in what I've done. I should've kept better notes. I've had so many bad trades. It's so easy to be in a good trade, anybody can do that. The retrospection of a bad trade brings up cause for regret: "Why did I do that? How stupid was that? What didn't I see?".

I have lots of regrets. I have known so many people in this business and most of us are still friends but we have lost some friends because I said some wrong things at a time, upset somebody. I'm trying to be a little better person than I used to be but I still fail at that.

That's not to say I'm not pleased. I've had some phenomenal, wonderful life. I can't knock that. It's been a phenomenal experience I have never expected. There are some things that I sure as heck could've done better and been a nicer person.

Your books are full of descriptions of attempts to understand the mechanisms of the markets and creating new indicators on this basis. Have you already given up the case or are you still creating something new?

I'm still working, I'll be working on this until the day I die <laughterter>. I'll be in a hospital under a respirator and I still say "Here's one more idea, you've got to program it in here! We've got to try this."

Additional questions

For many decades you been a pioneer and leader in the market analysis, you even set new trends. What do you consider the most promising ideas and concepts worth pursuing today?

I think that we are not still properly measuring accumulation and distribution. We've come a long way with the stuff that I've developed but there's probably still a better way of doing that.

We are still not doing as good cycle work as we could. Or maybe it's such an imperfect arena that we can't get any better. I think there's some stuff we could do with cyclical analysis. And maybe it's a dead end. I guess we will never know, just wonder about that.

There's probably some little to do be done on money management. Not much because Ralph Vince has probably covered it all. But there's probably still something, the one thing about money management, I can't quite point out what it is. The big thing is understanding that markets go from point A to point B because of conditions we talked about earlier. But they get there because of emotions of buyers and sellers. It's really

about measuring the emotions of the marketplace. I think that's what technical analysis really does. So, some way of measuring emotions would be helpful to traders.

Back in 1999 you wrote that because of the Internet there had been more changes in the markets in the last 18 months than in the previous 18 years. Today, thanks to the Internet, we can trade virtually every market in the world. How does this affect the markets?

It has done two things. It has increased the volatility of the markets and shortened the timespans that it takes the market to move from point A to point B. That's happened because there used to be very few people that traded the markets. And now it's hundreds of thousands it seems.

Whether I'm in Indonesia, Australia, China or Russia – everybody wants to trade. When I started there were maybe ten thousand active traders. Now the depth of the market and the volatility of the market is greatly enhanced because you've got guys around the clock that are much smarter that me, with PhDs, hard math guys with computers in Russia, NASA scientists guys – all trying to beat the market.

So, the competition is probably more difficult now. Or maybe not more difficult but smarter. When I started in 1962, we only had about 20 years of data we could study about the market. Now, we've got 70 years of data, really good data.

And in stocks you can go back to 115 years ago. So we have better data and more data now.

What do you tell your students when they want to make too much money too fast?

I tell them that they should go and find another teacher. Because I only want students that are going to be winners. That's what I live by.

If all my students are failures, then I'm going to get bad reputation. So if I get a student that's going to do something crazy, I'll just tell him to find somebody else. I don't want to anything do with him. I don't want failures in my life.

Do you have any tips on how to deal with greed and fear?

I think greed is actually very good because it's an emotion that drives us to do things. Makes us work hard. It's what separates us from people who don't trade.

But the other side of greed is that it makes us do things too quickly, too impulsively, that were motivated too much by it So,

you really have to learn to modulate the rush aspect of it. Trying to be in every trade, every day.

You've got to really find your own cadence, your own speed and not overplay the game.

And fear is usually based more on the size of your wager than it's just the market itself. If you don't have any money in the markets, they're not fearful to you at all. So, it's really about the size of the wager.

How should one learn to deal with losses? What should I do if I got a long series of losses?

First of all, you're probably either betting too big for your emotions or your stop is too far away. Probably what happened is that you pulled your stop, so you weren't disciplined.

So you have to learn a) be disciplined, b) don't overbet your emotions. You should never have a large loss.

If you have a lot of small ones, that's fine. You can always come back from little losses. But it's very hard to come back from one big loss. Psychologically as well as financially.

Several years ago you wrote that your most important market belief is that: „I believe the current trade I am in will be a big loser". Has anything changed in this matter?

Yes, now I think it will be a big, big loser <laughterter>. That's still a good precautionary way to trade because then you're on your toes, you're not overanxious, you're not overzealous about your position, you have the proper perspective.

What are your most important beliefs about the markets? Could you share some more gems with us?

The market is innate. And what I mean by that is that it can't hurt you until you're in the game with it.

It's not a risky thing until you get involved with it. It's how you get involved with it creates the risk. It isn't the market. It's how you choose to play the game that creates the risk that most people can't handle.

Huge overwriting thought is that if most people would just do the opposite of what they actually do, they'd make a lot of money. If they just reverse of what they're doing. If you're losing, just reverse that and make it into a system. And what they're usually doing is they're having big losses and taking little profits. Just reversal of that will give you a successful strategy.

What percent of your trades are winners?

You have to separate that into longer term and shorter term trades. My short-term trades are probably 70% winners. My longer term trades are probably around 55% winners.

What's interesting, in the short-term trades we're only in the market for about 30% of the time. We're not always in the market. We're very selective in the way that we trade.

What % of your trades are huge winners?

Again, you'd have to break that down into long-term and short-term. On short-term not very many because we're trying to get a short-term profit. On the longer term basis probably one third of them.

What is your recipe for a huge winner?

To be honest, lots of it is just luck. When I get into a trade I don't know if it's going to be a huge winner. I just hope it is. I am always fearful that it's going to turn into a big loser. I cannot tell you for sure: "This trade is going to be a big winner". I've learned that I can't do that. I'm not that good.

But I'm good enough that I can manage my trade. So, I'm a professional at it, opposed to somebody who is just shooting from the hip. I usually have a pretty decent idea that this trade is going to be a winner.

But there were many trades that I thought will be great trades and they weren't. I know that in order to make money I have to be in the markets. And one of these trades is going to work. And there is going to be lots of losers. So I have to manage the winning trades and the losing trades to allow for that one winning trade to come to fruition.

What are the best rules of Money Management according to you?

Bet small, win big. As I understand the markets, trend is the basis for all profits. No trend, no profits. We need to look at what

causes trend. And trend is a function of time. The more time, the more trend we can get.

So, if I'm a day trader, at the end of the day I can't get much time, it's not in my favor, it's not an advantage. But even in this short timeframe, I've still got to hold on as long as I possibly can to catch a trend move.

Day traders tend to go in and out, in and out and they're not able to get a big move relative to day trading time periods. That same thing works out if you go to daily or weekly timeframe. You need time as your ally, time is your friend. You need time to create trend moves.

How did you prepare for the Robbins World Cup?

I don't think I prepared. I had a very good system that's been making a lot of money. That's all. I didn't do push-ups or sit-ups or anything like that <laughterter>.

It's nice that I won that, but to me it's not a great accomplishment. I got lucky, I was hot, totally focused on the markets. The real accomplishment is that so many of my students have won the same contest. That's an accomplishment!

I am much more proud and pleased of that than from the fact I won it, that my daughter won.

I am a good trader, I should've won. But if I can take people off the street, teach them and they can win an international trading championship, that's a feather in my cup, that's a thing – from all the stuff that I've done in the markets – that tickles my heart the most.

Is the trading during the competition different than normal trading?

Oh, sure. It's like you're in a prize fight. You've got to win. So, you're throwing every punch you can, you're being extra-aggressive. I would never trade a managed account or my normal account in that fashion. That whole thing was about beating other guys in the contest. This is not how you trade all the time but that's a contest.

Do you have any suggestions to others who want to take part in the competitions?

First, you need to have a good and proven strategy, you have to have some intelligence to have a shot at it. You have to come out quickly with your profits. You have to be aggressive in the beginning to get a jump at everybody else.

My purpose for winning was just a bit different. The purpose is just to win. You don't care about the dollar amount. You can get a jump on everybody else. Then, you can sit back and hold for a little while to see how everybody else is doing. You can breathe easily for a little bit. Then, you can start using a little more aggressive money management.

But the idea is to be the winner for the year, not necessarily a dollar amount winner. If they're running a mile race and somebody runs it in 4 minutes, he breaks the 4-minutes-a-mile record. But if someone else runs it in 3,5 minutes, he's the winner.

It isn't necessarily the time, it's about who touch the tape first. It's about who finishes the most ahead in those contests. You need to have that as your goal. Not "I'm going to beat Larry Williams!". Lots of people lost lots of money trying to beat Larry Williams. And they could've won the contest. But they this thing in their head – they've got to beat Larry.

Oh, come on! Your goal is to win the contest. You can't make it emotional – it's them and me.

We observe that many good traders after learning from you suddenly become very good and have much better performance. What is your secret? What do you teach them?

I think what I teach my students is the basics of the market. To keep teaching themselves. To fit their trading strategies with their personalities, their timeframes. I always say that if you're a sprinter, you should probably be a day trader and if you're a long distance runner, you probably need a longer timeframe. I teach them to try to handle the future. Logical process of thinking about the markets.

Sure, we give specific details and indicators and all that's good. But I really think that in order to be a successful teacher you need to teach them to be able to trade when I'm not there. That they don't need me. At some point they're on their own. We teach that as well.

What problems do the people you teach usually struggle with?

The main problem is money management. They don't want to apply money management. They don't want to apply themselves. They're shocked to find out that this is difficult. Those are the main things.

What are problems of the best traders you know?

Oh sure, you bet they have problems. Their problem is that they're managing other people's money, so they have to think what the other person is thinking. They can't have great gains because with great gains come great losses. So, they can't trade as aggressively as they could have if they were trading their own money.

Is there anything in the markets that still causes you problems?

Sure, everything <laughterter>.

How have you benefited from running marathons? Does it have any impact on your trading?

I think a learned a lot from running marathons, from athletics actually. I learned that you have to have a goal. You have to

have an approach to get to that goal. You have to train. You are going to have really bad days in training and you are going to have really bad marathons.

So, you have to know how to get through the badness of the run because after 18 or 20 miles it really, really starts to hurt. How do you overcome this? It's exactly like trading.

In your book "The Secret of Selecting Stocks" you describe an impressing method of selecting stocks. Are there any significant changes in this method during last years?

Well, I would be more fundamental in my selection and that method was a technical selection. So I would look more at the fundamentals versus just comparing strength that you're referring to. People read my book to pick the right stock at the right time and I talk a lot about that in my book.

As I understand the construction of the "Accumulation/Distribution method" was the reason of your first successes?

Yes, that's true.

You compare the stock against DJIA, is there similar method for Forex and commodities? Can we see somehow the processes of accumulation and distribution?

Sure. Let's say you're interested in buying a currency and you compare it against the Australian dollar, the British pound, the Swiss franc, the Canadian dollar and see which of these

currencies have been the strongest. They generally move in the same time period. Up or down. So, when they come to the buy area, I want to see which has been the strongest and which has been the weakest.

How do you assess the strength or weakness of the pair?

I would look for what I call comparative strength. It's a technique that just by looking at it allows you to tell which has been the strongest or weakest. I don't have a special indicator for that.

Can we somehow see the process of accumulation and distribution on Forex or in commodities?

Sure, absolutely you can. We don't have the Commitment of Traders report on Forex but my indicators, my circuit index will allow us to essentially know if they're there and what they're doing.

When will your latest course "Larry Williams Stock Investing CD Course" be available?

The course is available at our website ireallytrade.com right now. Once a year I do a very intensive short-term trading here in Saint Croix. People come from around the world and we're together for three days or so, trade, I teach them my system, my personal strategy. And then for ten weeks we do follow-up webinars. They see my trades every day, I see their trades and

we get to talk about this stuff and make sure everyone is up and trading. That's a great experience.

You ran for the Senate twice - what were your motives?

I was upset with the government, with all that regulation. Too much government is not a solution, it's a problem. And nobody was voicing that view back then. That's still the same problem <laughterter>. It hasn't changed a bit.

What would you like to say at the end to present and future generations of traders?

Be careful about this business of trading. It can be a wonderful life or it can be a disaster. It isn't the markets that make it the wonderful life or disastrous life. It's how you handle the markets. So, this is very much about you and how you respond to these things. So you really need to have an edge.

There are many people there that are better at this than I am. You probably need somebody to help you get educated. Then, you still have to remember at all times that this is like boxing, you have to protect yourself to come out of the fight. You can't fall asleep.

This is a type of thing that you have to be focused on, kind of sit tall in the saddle and keep your eyes on the horizon.

This is a phenomenal opportunity to make money and a phenomenal lifestyle. You don't have employees, you don't have customers, you don't have a boss. You have total

freedom. And that's why we make money. I don't think we make money to say "I made more money than you did". So what? It's about how you use that opportunity to have a lifestyle that you want. This is the money for having a wonderful lifestyle. The lifestyle is there. But it's not for everybody. Not everybody is going to succeed at this.

But for those that do – they'll be the most blessed people on Earth.

Thank you for today Larry, it was a great honor and a pleasure to hear you live.

Thank you. I hope that gives your readers some insight and understanding.

Conversations with Joe Ross

Joe Ross is an unquestionable legend of trading, an author of 12 classic books, many of which became world bestsellers, countless articles and essays about trading, a mentor to thousands of traders all over the world.

His story is both amazing and instructive: he grew up in the slums of LA, trying to get by while being discriminated in school due to dyslexia; then beginning his trader's career, learning discipline and trading routines.

Even today he has problems with basic mathematics, which is one of the reasons he does not use systems. He created his unique approach based on following the chart patterns.

Joe Ross is known as a creator of the Ross hook™, and has set new standards for low-risk trading with his concepts of The Law of Charts™ and the Traders Trick Entry™. Joe was a private trader and investor for much of his life, but a serious health situation in the late 80's caused him to shift his focus, and that is when he decided to share his knowledge. After his recovery, he founded Trading Educators in 1988, to teach aspiring traders how to make profits using his trading approach.

Joe Ross holds a Bachelor of Science degree in Business Administration from the University of California at Los Angeles. He did his Masters work in Computer Sciences at the George

Washington University extension in Norfolk, Virginia. He is listed in Who's Who in America.

After 5 decades of trading and investing, Joe Ross still tutors, teaches, writes, and trades regularly. Joe is an active and integral part of Trading Educators. He is the primary author and Editor-in-Chief of the company's newsletters: Chart Scan™, Spread Scan™, and Traders Notebook™.

His website can be found at: www.TradingEducators.com

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Beginnings

When, and in what circumstances, did you consider trading as something worth trying for the first time?

I was 14 years old. My best friend's father was a stock market trader. He explained to me what it was about, and I decided that someday I would become a trader.

Later, when I was 22 years old, I went to live with my great uncle Julius. He was a commodity trader. I spent time with him and when I left my uncle I knew I wanted to be in business.

Could you describe your first system?

I never traded a system. There were no systems when I began trading. You looked at the charts, you looked for a trend, and when you found one, you jumped in. There were no computers

available other than mainframes costing over a million dollars. There were no minicomputers and no personal computers.

My great uncle told me I would have to learn how to trade within my own personality. He told me trading was an individual effort and that what was comfortable for him would not be comfortable for me.

Did you construct it by yourself or take and modify someone else's? Was it successful or not? Could you describe why?

I worked by myself, studied charts which came to me weekly and began to get a feel for the markets and how they worked. I went to the library and studied historical data put out by the Chicago Board of Trade in their yearbook.

If you initially lost, what caused you to stay in the game?

My first trade was made at the age of 14. I lost, which is the best thing that could have happened to me. It gave me a respect for the market and a determination to become a winner.

Did you experience periods of hesitation when you wanted to leave this field of trading?

I have never wanted to leave the field of trading. I have been dyslexic since before they invented the word "dyslexia." I cannot see the way others see. I am a very slow reader and could seldom finish tests. I do not do anything that involves

computation of numbers except where I actually am forced to do so. Being dyslexic has had a great impact on my life and my choice to become a trader.

Was there any memorable experience that determined you to trade further?

The most memorable experience was seeing that my uncle was a successful trader, and also knowing that my best friend's father was a successful trader. They were my role models and still are to this day.

What kept you motivated? Did you have any external support at this time, such as friends, family, a mentor or a book?

I have always been motivated by my two role models, plus one other - John Wooden, who was the basketball coach at University of California at Los Angeles (UCLA). My love of self-discipline and self-control was strongly set in place by his successes at UCLA. He is the greatest sports coach who ever lived. He is a Christian man who lives a Christian life. Because of him I became a Christian as well.

Everything I have ever really needed in the way of self-discipline, self-control, lessons in perseverance, in diligence and much more. Literally, how to conduct my business, trading, and personal life, has come from studying the Holy Bible.

What was your next system? Do you remember why you changed the first one?

I learned early in my trading career that markets are always changing. I learned that if I don't change with them I would lose. Markets change for many reasons and today they are changing even more rapidly than in the past. You either adapt or you fail. No system or method I have ever observed works forever. They work only when the market presents you with the same face. But when the market changes, the system or method must change and adapt to the market realities.

Did you have any system for tracking your performance?

Yes, I have always maintained an equity curve of my performance.

Did you keep any trading journals? How did you analyze them? Were they really helpful?

I kept three measures of performance to help me be consistent in my trading. The first was the Life Index, in which I tracked various aspect of my life. The second was to keep a diary of my feelings to learn which feelings went with the winning trades. Third, I kept a log of my trades, so I could look back to see what I was doing when I was winning, and what things I did when I was losing.

Did you have a high level of stress when you started? How did you cope with it, what worked for you?

All of my emotions in trading were initially negative.

Being dyslexic and having failed miserably in school, I had little confidence in myself for anything academic. However, I had a lot of self-confidence in myself as a fighter and someone who would not easily give up. There were few career choices available to me. I am not good working with my hands, and I am not mechanically inclined. But when I looked at a chart, I saw a picture story unfolding before my eyes.

I knew I had to overcome the negative emotions, so I kept a diary of my feelings. I discovered that right before a trade I was full of fear. I found that once I had feelings of remorse. When it was time to get out, there was a feeling of panic. I needed to get out and get out right away. When the trade was over, win or lose, I felt relief. If I lost it, I felt sad relief and when I won, it was a happy relief, but I was always glad when the trade was over.

I had to get rid of the negative emotions. Thus, I studied the careers of famous people: athletes, great salesmen, actors and actresses. I found that many of them had the same kinds of negative emotions before a performance. Eventually, I discovered what it was that kept them performing: they focused on the rewards. I began to focus on the rewards of trading and the negative emotions melted into the background.

Did you attend any trading seminars or training sessions?

No seminars, and no books on trading, only the personal mentoring by my great uncle.

Could you describe them, if any, in detail? Were they helpful? Which part was particularly helpful?

In the personal mentoring, I was taught what to look for and I was taught discipline.

Is there a trader, teacher or mentor that you remember having been particularly influential?

My great uncle Julius, my best friend's father, John Wooden, and I have always admired the greatest football coach, Vince Lombardi.

What was the most memorable experience from your beginnings?

There were so many, some good and some bad. I cannot point out only one.

What did you learn from the early phase that benefited you most?

Discipline: Learning to plan my trades and follow my plan.

Did you have an "aha" moment in which you suddenly understood what you had to do? Describe that moment, what led up to it, and what happened next.

Discovering the Law of Charts was my "aha" moment. I realized that a chart of anything that has both highs and lows

formed the same patterns as the movement of prices. Only the impetus for the chart was different.

After much study and thinking, I saw that the Law of Charts literally explained everything that happens in the market. Because of what you see on a chart is nothing more than a graphical representation of the combined action and reaction of human beings to the movement of price, anything that happens in the market can be seen in a simple chart of prices.

Was your family supportive of your decision to trade?

My wife has always been very supportive, which is why I love her so much. This year we will celebrate our 50th wedding anniversary, and I love her more now than ever.

How did your early experiences prepare you for your later years as a trader?

I grew up in the slums of Los Angeles during World War II. My sister and I were among the very few white children in the housing project where I lived. I had to fight my way home many times. I know what it is to be persecuted because of the colour of my skin. Frequent fighting made me tough. Being persecuted by my teachers because I did not do well in school made me hungry to be in my own business, and to be in control of my life. I did not get along well in groups. I was a loner.

Trading is a lonely business. I do not mind working alone. Learning to fight to defend myself was good experience for becoming a trader. Starting out in the business world at a young age also helped me to have a business mindset about trading. At the age of 8 years, I began to sell things in order to make money. Selling has continued throughout my life, and prepared me for success in trading. It takes diligence and persistence to be a salesman. Those qualities are important to trading.

What was your first year trading in Forex like? Was it profitable? Was it any different than your first year trading equities, options or futures?

I began trading in Forex long before the kind of Forex trading you see being done today. I began by placing stops in Forex to protect my trades in futures when I held a futures contract overnight. Most brokers had what was called a "night desk". It was possible to place an order using a Forex broker through the "night desk".

Most of the time, my stop would be hit in the overnight market. The market was very illiquid and it seems they filled every order they could find. But mostly, my Forex stops were profit protecting and so I did not mind being filled. If I was in a losing trade, I made sure to be out in the futures at least an hour before the close.

Today, I still use Forex, but in different ways. I will occasionally make a day trade in Forex. Mostly, I use it as a hedge against the U.S. dollar. I go long currencies that are rising against the dollar, even when the U.S. dollar is strong. I also use Forex to trade currency pairs that are not easily traded in futures. These include Brazilian Real, Norwegian Krona, Swedish Krone, and any other currencies not having sufficient volume in futures for decent trading.

Did you have a regular job? How did you reconcile trading with this job?

For the first 23 years of my trading I had various businesses and a few jobs to have something to do during the day. There was no day trading until late 1980 and early 1981. Position trading was all I could do from home. I have always traded from my own home. There were basically two ways to get the prices:

1. From the newspaper or the radio;

2. By calling the broker when the market closed.

Since I chose to call my broker to get the prices in the afternoon, I had time to mark my charts when I got home and to make my trading decisions in the evening.

There was no conflict between my daily business or job responsibilities and my trading. There were only a few tradable markets. As I recall, there were 10 of them I could trade.

Currency trading did not exist, nor did any kind of financial markets or stock indices exist.

It was not until the 1970's that anyone even thought of trading currencies or gold. The tradable markets, to the best of my memory were corn, wheat, soybeans, soymeal, soy oil, heating oil, leaded gasoline, silver, copper, and hogs. I do remember also trading sugar, coffee, and cocoa. There were some markets that no one wanted to trade because they were crooked or very illiquid. Potatoes, which was closed down because it was so crooked, cotton, which was also a crooked market. My great uncle told me to never trade cotton because it was so crooked. He should know, he had a seat at the cotton exchange. I never traded plywood, or aluminium, or onions.

Taking into account your actual experience as a trader, do you have any suggestions for beginners?

The best way to learn how to trade is to have a mentor. If you can find one and if you can afford one. This is not always easy. Use discussion groups. You can learn the basics of the markets from the exchanges and educational websites. You do not need a mentor to find out that kind of information.

What you want to get from a mentor is what I received from my great uncle: the correct approach to the markets and the correct mindset. I do not believe anyone can teach you how to trade, but I do believe trading can be learned.

It is very difficult to trade exactly as someone else. Ultimately, it has to be you trading what you have come to realize and learn.

Trading must fit your personality, your financial situation, your emotional tolerance for pain and your psychological tolerance for risk. In some cases, even your physical ability to handle stress has an effect on your trading.

Please tell us about several most dangerous issues beginners are facing today. Do you know solutions to these problems?

Trading with too little capital, undercapitalized.

Overtrading: trading too often, trading too many or too few contracts trading too many hours.

Choosing the wrong time frame.

Trading emotionally: trading out of fear, overconfident trading, trading out of greed.

The belief that what happened to you on the simulator is going to happen when you are trading with real money.

One of the biggest problems we see is trading undercapitalized. Too many traders are in a great hurry to get into the markets and to get rich quick. They have bought the lie that they can make a lot of money starting with a small account. Although it is possible, it is not realistic.

In a hurry to make money trading, most traders begin trading one contract. This is almost a sure way to lose what little capital they have. Everything is riding on a single contract, so the trader is forced to stay in too long or to scalp for only a few pips or ticks.

Sitting and trading all day long, or trying to take every trade that comes along is also an almost guaranteed way to failure. I have not met many traders who can sit all day in front of a screen and still remain focused. Those who have studied such things agree that the less you trade the more money you make.

Most novice traders choose the 5, 3, or even 1 minute time frames. The problem is that there are very few traders who can make money on such small time frames. The chances are much better from the larger time frames and if trades are well-chosen, there is no more risk from the larger time frame than from the smaller ones.

It is said that the markets are driven by fear and greed. And that certainly is true. Fear causes traders to make mistakes. The number one fear is that of missing a trade, when it is much better to be selective in the trades you take and be willing to miss those trade which do not perfectly meet your trading rules. Greed causes you to stay in a trade too long. The result is that instead of taking profits when they are there, you wait and hope for more and end up losing what you could have had.

You want to be paid to trade. That means taking money as soon as it is available.

When you have had a series of winning trades you begin to think that you now have finally learned to trade. You get proud and that is when the market teaches you that you are not so great as you think you are.

Simulated trading has its merits, but they are very few. What happens to you on a simulator hardly resembles the truth of what happens to you when you trade with real money. Suddenly the fills are not the way you thought they would be.

Your real emotions come into play and the losses are real. The losses hurt a lot more when your money is on the line and there is no way on a simulator to simulate what you will actually do when you are panicked and losing a lot of money.

Do you know someone who lost much? How did that happen? Was that a valuable experience for him, her or you?

I have known 2 traders who lost over a million dollars. In both cases it was from lack of trading with rules, a plan, and discipline. I have known many more who have lost less than a million but the losses were considerable and resulted in the end of their trading careers. In most cases the losses came from trading carelessly: the lack of self-discipline, lack of a thorough trading plan, or through over-confidence. In the case of one man who lost over a million dollars, that person is trading wildly,

with no plan, no discipline and no control. He is working on losing his second million.

Transformation from a beginner to a successful trader

When did you reach the level of systematic gains?

Near the end of my third year of trading.

Did you try different systems of trading, using it in real market conditions for minimum two weeks: scalping, intraday, mid-term, long term?

I have never traded a mechanical trading system. I do not believe in them. I have traded discretionary methods, and have traded several that still work as long as you keep changing the parameters to fit the current market conditions, and stop trading when no adjustment will fix the problem.

Eventually, the method will begin working again, unless there has been a permanent market change that precludes the method ever working again.

What timescale works best for you?

At varying times in my career, there has not been one "best" timescale. I began day trading with the British pound on a 1 minute chart in the futures. I would not do that today. But at the time it worked wonderfully. The way the markets are today, I prefer the longer timescales: 15, 30, 60 minutes for day trading

and weekly and daily charts for longer term trading. In some markets I will do an intraday scalp based on the condition of the daily chart.

Do you combine systems, for example: long term entry using intraday or scalping?

Yes!

Could you describe your biggest win? How did you feel?

My biggest win was in the British pound together with the Swiss franc. It was a daily chart entry that lasted over 3 months without ever exiting the trade. It was pure chance but the opportunity came because I was following my trading plan.

The trade made a huge amount of money in both markets. My feeling was that of astonishment, because I did not think the trade would work out so well. Of course, I was happy, but already too experienced to think that it was anything but good fortune.

Could you describe your biggest loss or losing streak? How did you feel about that?

My biggest loss was forty five thousand dollars in about 20 minutes. I was careless and let the trade go against me.

It had been a winning trade until that last 20 minutes. My feeling was against myself for having made such a huge

mistake. However, I have learned to forgive myself and my wife made it easier for me to do that. When I told her of my loss and how angry I was with myself, she was totally forgiving, which helped me to forgive myself and to be more cautious in the future.

Could you describe your biggest mistake? What lesson did that experience teach you?

My biggest mistake actually turned out to be a winning trade. I accidentally left five contracts in the market overnight and because I did not have enough money in my account to hold those contracts overnight, I received a margin call. However, I was up $21 thousand because I was short and the market had gone down. It could easily have gone against me and it taught me to be less careless.

What would be your most significant accomplishment as a professional trader?

I consider my greatest accomplishment as a trader to be my discovery of the Law of Charts.

Did you have a moment when you were disillusioned with trading? Was this a positive or negative experience, and what did you do next?

I have never become disillusioned with trading. I have had moments when I was disillusioned with myself because of

stupid mistakes, or the inability to do certain things correctly. I was determined to get it right and so I practiced getting it right.

I will give you an example: although I was superior at placing orders by telephone, when the electronic trading came into existence it brought with it a real problem for me in placing orders.

Being dyslexic, I ended up buying when I wanted to sell and vice-versa. It was a very frustrating thing for me. I tried different platforms, but the problem persisted. It took a great deal of practice and many wrong trades before I developed the ability to click in the right places for entering trades electronically.

Being very poor with numbers has always been a very trying experience for me. I get the numbers wrong many times and I often am not sure of whether I am making or losing money. My solution has been to memorize the values of contracts and to not try to figure things out on paper. It is easier for me to do the calculations mentally because I can then make better sense of what they ought to be. Also when I do not know, I ask. I have friends who are great at math and I simply ask them what I need to know.

Maturity

How long did it take to develop and to get comfortable with your methods and trading style? How have they changed over time?

I am never totally comfortable with any method or style. I am completely comfortable with my approach. My approach to the markets is the same as I was taught by my great uncle. My methods and trading style change as the markets change. I have a lot of tools in my toolbox. When premiums are high I will sell options and make trades centred around option strategies. I will trade spreads when I see that there is money to be made trading them. I will day trade when the markets look right to me for me to day trade, and I will position trade when that seems the right thing to do. I will never marry a market, a time frame, or a trading method. I do where I see I can make money.

How did your trading systems evolve?

I do not have any trading systems, but I am a systematic trader. My approach to the markets is systematic. I look for where I can make profitable trades and then trade those markets and time frames where I see that profits are possible.

How do you cope with emotions today?

My emotions are very much in the background. I trade what I see, and not what I think. My opinion is worthless and I know it. I dare not trade emotionally, rather I want to trade by my plan following rules until they no longer work.

Do you add to a winning position?

I used to add to a winning position. Now, because of the way the markets are, I prefer to put on the entire position in the beginning and then scale out. The markets no longer trend the way they used to because of all the computerized trading. Today the markets swing. There is little room to add to a position before prices begin to move the other way.

What do you do to mentally prepare yourself before each trading day? What do you do to wind down after a long day of trading?

I meditate on the trades I propose to take. That is, I picture myself trading perfectly and executing according to my trading plan. I also pray before I trade; not to win, but to follow my trading plan; to be the best I can possibly be.

What do you do immediately after you lose a trade now?

I write in my log what I learned from making the trade.

What do you think is the main source of your success? What is your secret of exceptional performance?

Discipline, consistency, planning, thinking.

What does it take to be a market master?

Experience, and a lot of tools to work every kind of market and situation.

Today, do you have one system or many? Could you describe it?

I trade what I see, not what I think. I do not trade any system.

Do you trade with a discretionary or a mechanical method? Do you use more than one method? How did you develop your methods?

I have developed several discretionary methods in conjunction with my partner Andy Jordan. When I trade them I stick with the rules. We develop our method through extensive testing to find the best parameter combinations. We then keep the methods up-to-date by continued testing to discover what has worked best during the past two months.

What class of market moves do you want to catch?

I am primarily a momentum trader.

Do you feel comfortable leaving open trades overnight?

Yes!

What is the most important part of your system?

I do not have a system, only a systematic approach.

Do you have any regrets regarding your career path as a trader?

No regrets. I am exactly where I want to be.

What do you think is the role of discipline in trading? Do you have formal or informal daily routines with a trading plan you follow? What is your solution for consistency in following a trading plan?

I have answered those questions above.

Discipline is the most important thing in trading.

How did you learn discipline? Were there any particularly helpful exercises?

I learned discipline from my great uncle. I was a very undisciplined person. He showed me how important it was and so I practiced discipline every day until I mastered it.

What do you suggest to a beginner? How can he or she learn discipline fast? Do you know any exercises, systems, techniques, etc.?

The best single way I know of is to create a written plan that you will follow and then make sure you follow it. Keep a log of every trade and compare what you did with what your plan calls for you to do. You must have such a passion for trading, that you are willing to do whatever it takes to succeed. A lot of people say they have that passion, but it is only words with them. Be a doer, not just a talker.

What are the three most essential elements of your success?

Diligence, persistence, experience.

Do you have a chosen currency pair? Could you briefly describe its characteristics?

No chosen pair. I trade what looks good to me.

Some people say that large players, such as banks or funds, manipulate prices by making false moves. A lot of traders, especially beginners, have a problem with that and lose significant amount of money as they learn from widely available books. Could you comment on that?

Forex trading should be done only by those who have a particular need to trade there. It is first and foremost a crooked market, with many crooked banks and brokers participating in that market. It is unregulated, even when the broker says they are a member of the CFTC and the NFA. The only regulation from those two regulatory bodies is the amount of money that must be kept on-hand to be able to say they are registered.

Forex brokers have complete freedom to lean, or in other words: to skew, prices. Take the other side of your trade, control what you see on your screen, and slip you as many pips as they need to make money from you. Even when a broker says they have no deal desk, it is often not really true. Forex brokers lie about the volume they have at their particular establishment. A trader is much better off trading currencies in the futures markets whenever possible. The biggest shock for beginning Forex traders is when they stop trading on the broker's simulator and begin trading with real money.

Most Forex books are written by people who failed at Forex trading. Most reading material is written by or for the brokers themselves.

Future of Forex

Did you notice any significant changes in the markets in the last 2 or 3 years?

Yes, there are incredible changes in the markets the last 2 or 3 years.

How do you think the future of speculation in Forex will look like?

I think when enough traders get burned, laws will be passed that force Forex trading to be done on a regulated exchange. If not by law, then some enterprising exchange will offer regulated Forex trading to those who want it.

How has the Forex market changed, in terms of trading tactics, over the past two, three, or five years?

Forex has gone public. It has existed many years before it became what it is today. These days, Forex brokers are the ones most traders are trading against. The true volume at any of the many Forex brokers is not very large at all, so consequently there is not very much liquidity.

Where do you see the Forex market being three, or five years from now?

Hopefully trade on a regulated exchange. But in any case, more currencies will become major currencies to join the big four.

Where do you see yourself five or ten years from now?

I intend to trade and teach until I am 104 years old. At that time I will leave the markets to you.

Additional questions

What is your most memorable trading experience?

Probably my British Pound and Swiss Franc trade. But equally prominent in my memory is the trade I made in the SP 500 where I lost $45,000 in 20 minutes.

What are, according to you, the best systems for beginners, part time traders or people with very little time during a day. How should they start trading?

They should start by position trading. Day trading is the most difficult of all types of trading there is. Sadly, 9 out of 10 want to be day traders.

What are the cardinal rules of trading according to you.

I have seen many lists of cardinal rules. They are almost all the same. I will give you a different list of rules. One you probably have never seen before.

There is no law against any of these things:

- A passion for trading,
- Self-control,
- Humility,

- Faith in yourself and your trading plan,
- Being good at chart reading,
- Being kind to others and not trying to get it all,
- Being patient to wait for your trade,
- Being at peace with yourself and with the markets,
- Being joyful in the knowledge that you can win in the markets,

All of the above add up to truly loving to trade, and:

- LOVE as "Perfect love drives away fear".

In addition to being paid money, how else has your trading career created value in your life?

Trading has given me the opportunity pass on a legacy to other traders. Trading Educators exists as a means to help other traders. In addition to making money, trading has given me the opportunity to support various charities and ministries.

How much time, in hours, do you devote to trading every day?

One-and-a-half hours or less per day is all I need. I believe it is all anyone needs to make plenty of money trading.

What are, in your opinion, best trading books for beginners?

I do not know of any beginner's books. I learned without any need for them.

Your best trading books?

My top 4 books have all become classics: Trading by the Book, Day Trading, Trading the Ross Hook, Trading is a Business.

To those I would add Mark Douglas' book The Disciplined Trader. Beyond those, there are specialty books for spread trading, and option trading. I do not believe that specialized Forex books are needed.

Trading is trading and a chart is a chart. If you know how to trade, you can trade in any market and time frame. The only thing that changes is the trade management, and that is something that is unique to each trader as an individual.

Which system of money management is best for beginners?

I believe money management is way overrated. Risk management and especially trade management are far more important. If I must issue a statement on money management it is this: take money off the table as soon as you possibly can. You want to be paid to trade. Being paid to trade is my entire and complete system of money management. The rest is all trade management.

What's the best use of demo trading in building competence? Some say that demos can build bad habits. What is your opinion on this issue?

I am convinced that demo trading is fairly close to worthless. It gives an entirely wrong perception of what trading is really like when using real money. However, it may be good for doing a

bit of back-testing to see if what you propose to do has any merit at all.

Do you know about documented situations when brokers or large institutions play against their clients, for example by closing positions, stop hunting, etc.?

My files are full of documented incidents such as you mention. Many of these have come from traders who were badly burned in Forex.

Do you know someone who has or had excellent or strange results in Forex? Do you know the source of his or her success? Could you help us to get in contact with her or him?

I have never encountered a long-term successful Forex trader, although I am sure there must be some.

Voice interview

You said that your great uncle gave you personal mentoring. What did those lessons look like?

It was my job to mark the charts each day until we got the next weekly chart. He would ask me what I would do based on the charts, and he would tell me what he was going to do. I sat with him, listened to his wisdom, and observed him. Much of

the time he was teaching me to be disciplined by making me do all kinds of things I did not want to do, like making his bed,

and cleaning the toilet. I had to take my aunt, who was blind, to the store and pharmacy.

He had me do things like that as a way of checking to see if I would submit to his authority. He used to say that I had to learn to submit to authority - his authority. He recognized that I had a problem with both self-discipline and submitting to authority. Without his intervention, I sincerely believe I would never have achieved the success I now have.

Do you think that discipline learned in daily life taught you how to be disciplined in trading?

Yes! I had to keep records of everything that happened and, of course, we spend some time on the charts. There were only around ten markets back then.

One thing he made me practice over and over again was giving orders for at least one hour a day. My aunt would pretend to be a broker, and I had to give her correct orders. And I had to give them fast! If I did not manage to do it fast enough or in a perfect manner, he yelled at me.

You said you practiced discipline learned from him. How exactly did you do it?

By doing the things he required me to do, like giving orders, but without any help from him.

You said that after your first loss you got the determination to succeed. What was your trade back then, was it the stock market?

The first loss came when I was fourteen. This was six or seven years before I met my uncle. It was in the stock market, the Philippine Oil Development Company. But it never developed any oil. Nothing ever came of it.

I held to it until I was 30 years old. All that time the stock was a loss, and finally the company went out of business. They never found commercially producible oil or gas in the Philippines.

Many people would rather forget about their losses because they feel bad about them. Do you remember exactly what you felt back then?

Of course, I was disappointed. I knew it was a loss within a period of three weeks. But the company stayed in business, and I just held my stocks until they closed the company.

It was a penny stock, and it went from 6 cents to 1 cent, and then to 1 mil, which is 1/10 of a cent.

You said that what we should get from a mentor is what you received from your great uncle: the correct approach to the markets and the correct mindset. What exactly do you mean by that?

The correct approach involves quite a few steps, but I will go through them briefly. You have to find a market and a time

frame that you like, which means you have to look. You have to check to see if there is anything that looks good for trading in those markets. Nobody can tell what looks good to you apart from yourself.

Once you do that, you have to test different strategies in the market. For instance, you might notice that a particular market in a certain time frame makes a lot of reversal bars, and when it does, you see that you can make money in that situation.

Then you have to take the next step, which is to evaluate your risk. Ask yourself a question: "How much do I have to risk to make a certain amount of money that I think is 'makeable' in this market and time frame?" Answering that requires testing; testing at least 40 instances of this particular setup or strategy so that you can get a statistically valid sample.

Once you know all that, you have to determine how often this situation happens. And then you can develop your objectives and a management strategy to take advantage of what you see.

That is about it, that is the approach.

The second thing is a correct mindset, is it not?

Achieving a correct mindset takes some work as well. You have to realize that you probably cannot "get rich quick". That just does not work in real life. Do not expect to discover a

magic system to find the Holy Grail. Do not look for magic indicators.

You have to realize that you will be trading against other traders with fine minds; other people who want to get your money. So you must trade defensively. You cannot trade from opinion or emotions. You have to carefully work out your risk because you will be trading in situations of great volatility, fast market conditions, and oversize ticks.

Most people are not even aware that they have to know about the above-mentioned conditions.

You have to realize that there are scalpers in the market. Even if you are a scalper, you have to learn to defend yourself. And you have to know not to trade in illiquid markets.

Anyone who is "playing" the market for fun and games is gambling!

You have to have a business plan.

You must be eclectic. People who think their strategy will work all the time, and that they will trade exactly the same way for years, are just wrong. The markets change and you must change with them.

You cannot take a trade personally, or trade on emotions.

You have to set the rules you will follow. But sometimes you have to break those rules when they fail to work. You have the right to do that because you are the one who created them.

You are wrong if you think you have to trade all the time, or when you feel the urge to trade all day long. Sometimes it is better to leave off trading and put your money in the bank; take a rest from trading.

Most traders learn those things the hard way, by losing all their money. Some of them never discover the things they need to know, because once they have burned their account, they are gone. They become discouraged, disillusioned, and angry. They begin to hate the markets. It is because nobody teaches people all that they need to know.

Most of them do not have enough money or enough sense to get a mentor. They trade undercapitalized, or with those micro Forex accounts where they need only $1000 to open an account. This does not work for the majority of aspiring traders.

You mentioned that, in order to overcome negative emotions, you studied the careers of famous people, many of whom had the same problems as you had. Can you say who inspired you most?

Yes. The most inspirational person for me, apart from my uncle who was really a tough guy and a very successful multi-millionaire, was the coach of the UCLA basketball team, John Wooden.

He was the most disciplined man I met during my life, and his teams were organized the same way: disciplined. He required absolute discipline. His teams were in the best physical condition of any team on Earth. Even when they were losing, they never lost their poise. One time they were 30 points behind in a game for the national championship. During the second half of the game, they never changed the disciplined way they played. They kept their discipline and went on to win the game. They were never rattled, never shaken, and never lost their game plan. They remained under control.

I got to spend time with Mr. Wooden as a part of a project I was doing on leadership in athletics, and I was privileged to follow him around and to learn from him.

The discipline was the key, right?

Yes, definitely.

Speaking about people who had impact on your life, what do you think was the most valuable thing you learned from the philosophy of Vince Lombardi?

Vince Lombardi, although I never met him, was like John Wooden. He believed in absolute conditioning and in sticking with the basics, which in football means blocking and tackling. He required perfect physical condition from his players, and required them to stick with their game plan.

It is the same thing with trading, you know. You cannot get rattled; you have to "keep your cool." You must stay disciplined and under control.

I always tell people that they have to be like Rambo. He is a perfect movie example of how you need to act as a trader. He is never rattled or shaken. His face never changes. He has got a job to do, and he does it.

I think that is an excellent example. And speaking of examples of proper behaviour and overcoming negative emotions, you mentioned that focusing on rewards was something that people who succeed in life have in common.

It is an individual thing. It depends on your definition of success. For some people, success means making money. Some like the feeling of winning. Others feel successful when they stick to their plan, knowing they are doing it right. It could be fame, or a feeling of power through overcoming obstacles.

I know about a trader who was successful in losing one million dollars, and now is working on losing a second million: he just gets a "rush" from trading. But that is not my idea of success!

What we learned from many traders we interviewed was that if they keep a trading journal, it is only a log of their trades. You said, on the other hand, that one of the three measures of performance you keep is the Life Index. Can you tell us more about it?

I look at various aspects of my life that relate to trading. One category that I look at is my trading life. I evaluate it and I give myself a score for everything I do correctly. I look at other things like my relations with my family and other people.

I look at my emotional life; how am I emotionally? I try to analyze if I am emotional when trading. For instance, if someone in my family were to be sick or die, or if I were emotionally upset in any way, I should not be trading because it would affect my results.

Additionally, I look at my physical life because I believe it is necessary to keep myself in good condition; to exercise, and to have stamina.

I know some people look at their financial life, but my financial life does not affect my trading at all. Whatever I earn in the market, I invest. Everything I earn goes for some kind of investment or charity; helping the poor or supporting missionary work, things like that. In this way, my trading life is separate from my financial life. I know that for some people, trading is their financial life.

One area I look at, that very few people consider to be important in this context, is my spiritual life. I am very aware that I am composed of body, soul, and spirit, and I try to strengthen my spiritual life so as to be free to trade.

Those are the things that I keep track of in something I call my "Life Index."

How do you analyze it?

At the end of every week I add up all the scores in the above-mentioned areas, and I chart my life. It looks just like a chart of the market. It has periods where I am going down and periods when I am going up. And, of course, times when my life is moving sideways. Those periods when I go sideways are the times where I make the most money in trading, because that sideways movement represents times of stability.

The Life Index gives me a very good picture of my life, and it helps me to avoid trading when I should not be trading.

I want to ask you about the spiritual aspect of trading. You said that becoming a Christian and studying the Holy Bible has given you self-discipline, self-control and motivation, and protected you from many negative feelings. What would be the most important lesson that traders can learn from the Holy Bible?

I do not know if it is the most important, but certainly wisdom is one of the most important tools in trading. And there is a lot of teaching in the Bible on how to handle money. Jesus talked about money more than about any other single thing! Not many people realize that. It is mentioned dozens of times.

Another important aspect I discovered is in a list in the Book of Galatians, which says that if you are living right, there are

certain results you will find in your life: love, joy, peace, patience, kindness, goodness, faithfulness, humility and self-control.

I try to put those things into my trading. I want to be self-controlled. I want to be humble before the market — it is bigger than I am, and it can kick my butt! I want to be faithful to my trading plan and the rules that I set up. I want to be a good trader. I also want to leave something for others. I do not want to be selfish, so I use the winnings I make to help other people.

I am practicing learning patience. I am not always patient, but I try to be patient every day.

I want to be at peace with other people and with the market. Some people consider the market to be a war, but I do not view it like that. I want to cooperate with it by being long if it's going up, or short if it's going down. And if it going sideways, I will trade option strategies to put me at peace with the market. Doing these things brings a lot of joy and happiness into my life, and therefore I love trading! I am passionate about it. After God and my wife and my family, it is my greatest love.

So I try to live by the list I found in the book of Galatians.

One of other things I found in the Bible is my identity. I found out who I really am. It's not the way I see myself, or the way others see me, but the way God sees me. I think that many traders have an identity crisis; they really do not know who they

are and what they are capable of. They are afraid of success and the power they have in their life, so they subconsciously lose rather than discover who they really are.

Isn't that interesting? I find it amazing!

You mentioned the importance of supporting charities; many people say that it helps them a lot regarding their mindset and proper attitude.

One of the most important things I learned from the Bible is that the more you give, the more you receive. I give a lot, and I can never out-give what I get back.

Can I ask what charities do you support?

Yes. I tend to support feeding the poor and missionary type work. I also support prison ministry every year. I believe that everybody deserves a second chance. In fact that is the name of my ministry — Second Chance Ministries International. It is actually a corporation, and through it we give to other people who do ministerial kinds of work all around the world. We try to provide people with food, medicine, medical supplies and access to doctors in those countries where things are much more difficult than in the U.S.

You wrote about the experience of losing $45,000 in about twenty minutes, and the fact that with support of your wife, you managed to forgive yourself. How do you think the ability to forgive oneself can help a young trader?

The ability to forgive yourself is incredibly important. Jesus said that you will be forgiven if you forgive others. So it is a two part thing. Many traders have never forgiven someone from their past.

I will give you an example to show how forgiveness can create a winning trader. I had a friend who was a successful trader; he traded Swiss Francs and the S&P 500 futures. I have never seen a better trader than him, yet his account shrank little by little. Everything he won he gave back and a little more. I couldn't figure out what was wrong — by all means he should be winning most of the time, and yet his account was slowly eroding.

One night in the Bahamas, where I was living at the time, we were sitting with another friend of mine who is a psychologist. We were talking about trading, all relaxed, enjoying a beer. Very subtly, in a way you wouldn't realize, this psychologist was probing into this trader. He began asking him questions, and it finally came out that when he was a boy, his father kept telling him that he was no good; that he would always be a failure. His father was a completely negative influence.

When he was 17, this man left home and emigrated from South America into the U.S. He became a very successful businessman in Hawaii. He left someone to manage his business, and came to the Bahamas to trade with me.

When he was telling us about his father, he cried like a baby. Tears were streaming down his face. For the first time in his life, he saw what was stopping him from winning. His father was always sitting on his shoulder, whispering into his ear "you're no good, you will never succeed, you're nothing but a bum."

Many of us have emotional experiences hidden somewhere deep inside. We have pushed them deep into our memories, and live without realizing they are influencing our lives and the actions we take.

When my friend finally saw what the problem was, he was able to deal with it. The first thing he had to do was to forgive his father; to realize that his father was a sick human being with his own problems. Then he had to forgive himself for those feelings he had towards his father.

The psychologist made him forgive his father. He had him hold out his hands. He said "I am putting your father into your hands — forgive him." My friend had to say it out loud. Then the psychologist said, "There is one more person you have to forgive, and that is yourself."' When my friend did that, his whole trading life turned around. He became an extremely successful and wealthy trader. He trades full time to this day.

Most people do not know who they are. They think they know. They believe what other people say about them, but they never really look deeply into what is holding them back. When a trader cannot pull the trigger on a trade, there is something

there, something very deep that may go way back (quite often to early childhood) that keeps him or her from winning. They have an image of themselves as a failure. A person who has that image is defeated before starting. That person needs either a cure, or to stop trading, or both.

People may have internalized those losses long before they come into the market, but it is the stress and pressure of the market that brings it out. It is usually something they buried a long time ago. They no longer remember it. They need to examine themselves to see why it is they cannot win. It might have been a lost fist fight in school that changed their self-image. They may have been betrayed by someone they thought was a friend. They may not remember it, or do not want to remember it. But when they get into the market, the hurt and the pain is brought out. Little crazy stupid things can have such a huge impact on a person's trading.

It is a remarkable thing how psychology, mindset, and emotions play a part in our success or failure.

Can you see an evolution of your attitude as far as the spiritual aspect of trading is concerned?

Absolutely! I was a complete rebel in the early part of my life. I hated school, I hated teachers. I hurt inside because I couldn't read and I couldn't do arithmetic (in those days no one knew about dyslexia). And I later had to dig out that hurt and deal

with it. I had to change my image of myself — I was not who I thought I was.

In the scriptures God tells you who you are. You are special, you are unique. There are no two people the same on the Earth. Of course, people who do not believe in those things have nothing spiritual to fall back on. But the answers are there. I simply found out who I am and I became at peace with myself. I thought that certain things could be done, and that I could do them. I am not afraid. I have caution. I am very careful when I pick a trade. I put the odds in my favor, and proceed without fear. That is about it!

What about the evolution of yourself when it comes to more technical aspects of trading?

It was the evolution of discovering myself and my abilities, and losing all fear, that enabled me to properly view money management, risk management, and trade management. Interestingly, hardly anybody ever talks about trade management. It is a much bigger part of trading than people think it is. It's the part of management that takes place once you are in the trade. It is far more important than money management, which is static. Trade management is dynamic. Trade management deals with what you do when the market goes against you. From the point you are filled, you are no longer dealing directly with money or risk management. Once you are filled, everything depends upon your ability to

manage the trade. It is the moment you are filled that trade management starts.

Trade management is far more important than any other kind of management except one, and that is personal management. If you cannot manage yourself, how can you trade? If you cannot manage yourself, how can you exercise money, risk, or trade management? The first time you get hit, you start panicking. Your emotions will overrun you and you will make stupid mistakes. Why? Because you are not in control.

That is why, apart from discipline, you have to have self-control, and those are two different aspects. Self-control involves managing yourself.

A lot of people do not realize that trading is a huge undertaking. They just want to get in and get a lot of money, because they have read a flyer on how easy it is. But trading successfully is one of the hardest tasks in the world. That is why so few make it. But the winners have their rewards, because they can literally feast upon the money of those who are not successful in trading.

There has been some research published that shows that about 88% of stock day traders fail. Of those represented in the failure statistic, 70% lose their money and 18% break even. The 18% eventually give up because they cannot get past "break even." That leaves roughly 12% of traders who are making money, but probably just a few of them do that on a consistent

basis. This statistic goes for not only small individual traders, but for banks and institutions as well. For instance, Bank of America just took a huge hit from their trading. Goldman Sachs, who hires the best traders they can find, lost billions in 2007 from trading. UBS lost $40 billion from trading. So we see that company traders are not better than individual traders.

Could you give us any examples?

About 10 or 12 years ago there were traders for Texaco Natural Gas (which has been sold; Texaco does not own it any more). There were eight traders and a manager, so there were nine people trading there. They were allowed to speculate in natural gas and crude oil, and they were allowed to each have up to $10.000 in losses per month. And guess what? They were losing $90.000 every month. Then their department head came to me to teach them how to trade, which is how I found out about them.

So there it was — a professional company with a professional trading department, losing money trading in its own field of endeavour. Of course, they had a lot of money; losing $90.000 a month for Texaco was like you or me losing 50 cents.

It is quite amazing that we have seen a pattern in our interviews – all of the traders we talked with say that passion is one of the most important things that helps them to overcome illnesses, problems in their life, tough moments. And now you confirm

that as well. So my first question is: how to maintain this passion, avoid burning out?

The only way you can maintain this passion is if you are not constantly punished in the market. It is very hard to be in love with something that is beating you up all the time!

I would say that this passion has different stages. There is a passion in the beginning — the learning, solving the mysteries of the market. If you manage to think your way through and become successful, that gives you the love of what you do. You would rather do that than anything else. But very few ever reach that level.

They have the beginner's passion, the first love. But because they are repeatedly punished by the market, they become discouraged and soon lose that passion. That will happen no matter how much they like any aspect of trading. Unless people make money at it, they lose the passion. The passion comes from the reward.

There are some exceptions though. I have met 'wannabe' traders who study the markets. They have a great passion for studying. They paper-trade their whole life, but never open an account.

What is the reason?

Well, they have spent huge amounts of money on books and such. I guess they just have the passion for studying

the markets, and pretending to trade. Pretending is safe, and that is what they love to do. I have known three people like that.

One man was spending $650 dollars a month for data, software, and fees, but he had not actually traded even once in 28 years. He spent his retirement watching the markets all day, pretending to trade.

Another man had been calling people all over the U.S., comparing his expertise with others. But he never opened a trading account. And the third one was a "stock trader" without a single stock trade made. He raced home from work every day to analyze the stock prices and let everyone else know what he thought they ought to buy or sell.

Maybe that is the kind of passion a trader should have.

Yes, but you have to be very careful to not get hurt. No one can stand constant punishing. Have you heard of the statistics in Forex trading? It's worse than for any other market.

I have heard that about 95% of individual traders lose, 3% break even, and only 2% make consistent winnings.

Yes, I didn't want to raise this as it might be really discouraging. About 97% do not make it in Forex trading! There must be a reason.

What are the reasons?

I guess it is because there is practically no proper Forex education available, and very few mentors. Then there are many people lured in with those mini accounts to trade the minis. People like that shouldn't be trading at all. They are completely undercapitalized, and they do not have the money for education. For them it's more like playing the lotto — maybe you will hit a winner.

When I heard the statistics I was amazed. And the numbers do not change over the years, just different people making the same mistakes. Why?

We are living in the world where values have changed, and people want to get rich quickly and easily. We have become a world of gamblers. People are standing in a soup line to get food from the Salvation Army, and when someone gives them a dollar bill they go to get themselves a lotto ticket instead of food!

Almost all the states in the U.S. have some kind of legalized gambling. Even states in which the law has traditionally been against gambling have found ways around it. For instance, in the state of Missouri they have gambling boats out in the river, so they are not subject to the law of the land. Other states have boats offshore.

I can see the same thing everywhere I travel — the mentality of getting rich quick. And what do some people do to get rich?

They do not have the patience to learn a profession or a business, and to grow with it over the years.

And of course there is another factor: an average person graduating secondary school will have to change his or her career seven times.

That is depressing.

True! It's not a very happy outlook.

Let us move to other aspects of trading. You mentioned that it was hard for you to convert to placing orders electronically. It is one of the issues that shows how important determination in overcoming one's inabilities is. Do you think that this determination is one of the reasons for your success?

Yes. The way I overcame my problem with dyslexia was to practice giving orders from an electronic platform. I simulated the trades and practiced entering the orders. It was not easy for me. I spent several months practicing entering orders until I overcame this disability. I have been overcoming these kinds of things all my life. Because of the way electronic platforms are set up, it is easy for me to buy when I want to sell, and vice-versa.

I am unable to do mathematics in the way most people can. People always ask me about formulas and things like that, but I am unable to do such things. In the U.S. there is an exam to

become a CTA, and I have a perfect score on the math — I miss every single one.

But in my trading I try to find workarounds. Some things I am able to do in my head, but if I am not, I just ask my wife or other traders. I am not ashamed to ask or say "I need help." I often do not understand the amounts that the market is ticking, and what each tick means in terms of money, or how much money I am making if prices move from here to there, because it is hard for me to figure it out. That is why I always keep a good relationship with my broker and with trading friends. I ask them a lot!

People think it's funny — here I am teaching people how to trade, and I have to ask them how to do the math. But that is the way it is.

That is what we would like to show people — that if a person is determined enough, nothing is impossible.

Would it be correct to say that the only aspect that is constant to the market is change?

Yes, that is an interesting observation. But if you compare charts from 1890, 1950, and 2008, charts do not change in the way they look. They represent human action and reaction to the movement of prices. But the way they react, the speed, and the composition of the market — these things are always changing.

How do you adapt to the changes?

I adapt by changing my management. We have millions of traders nowadays, but when I started there were only 20.000 of us!

You have to adapt to the market. My general approach is always the same, but the management changes. I will give you an example.

In 1982, I would day trade the Swiss Franc, D-Mark, Pound, Yen and the gold markets. Swiss Franc, which everybody called Swissie, was the market every trader wanted to trade. I could typically get 16 ticks with a particular set up which occurred quite often. I could use a market-if-touched order which no longer exists in electronic trading. Sometimes I would get 16, 17, perhaps 15 ticks, very consistently. But more and more people were coming into the market to day trade, and they were trading short term one- or three-minute charts. This created a lot of noise in the market. I was trading 30 contracts at a time from a 5-minute chart, and what I saw was that I was no longer getting 16 ticks, just 12. The market was adjusting to what was happening.

I made my own adjustment for that, and after a month or so I went down to 8 ticks and then 6 ticks. At 6 ticks, I no longer wanted to trade that market because I had to trade twice as many contracts to get the same result.

Trading up to 60 contracts to get the same result did not making sense at all, because I then became a target. With 60 contracts I became "visible." They would come after me. So I just stopped and waited patiently, and after a while many of those small scalpers lost their money and they left. One day I looked, and the moves were back up to 16 ticks. It did a complete circle.

But is not that common in most of the markets out there?

Yes, it also happened in the E-mini S&P. This is not a Forex market, but still it is a good example. A few years ago, about 2003, the Securities Exchange Commission made a ruling that the only way you could day-trade stocks was to have a minimum balance of $25.000 on hand, and you could trade only above this level. If you went below, you received a margin call and they closed you out.

As a consequence, many people who were day trading stocks started looking for other markets to trade, as they were not able to meet the new requirement. They came into the E-mini S&P, and they ruined the market for period of about 3 years. They were trading for about one or two ticks, because that was the way they had traded stocks. They were taught to make 100 round turns a day! I do not even know how to make 100 round turns a day, but they were doing it! So they really messed up the E-mini S&P. They would set their stops for a tick in either direction for entry, and then look for a couple of ticks to get out.

The minimum I needed for trading before that happened was for the E- mini S&P to have a minimum daily range of 20 points, but after these scalpers came into the market, the E-mini S&P 500 daily range dropped to no more than about 11 points a day. So I just moved to another market because there was no way for me to adjust my trading to what was happening.

But after a few years those people wiped out their accounts; they left, and the market got better. We are once again seeing a 20-point daily range.

Things like that happen. They cause you to change your management, or even change your market. If you are not flexible enough, if you are "married" to the market or to a way of trading, you will certainly fail and lose your money. You have to be versatile, and be willing to adapt. It is actually one of the greatest benefits of being a trader. You do not have a store where you have to sit and wait for your customers to come to you. You can go where the money is being made, and do business there.

If the money is being made on crude oil, I will go there! I will go where I can make money, which is probably the main reason for trading, is not it?

Speaking of changes, you mentioned that there have been incredible changes in Forex market in the last two or three years. What are the most significant changes?

First, I see that electronic trading has really changed the Forex markets.

Second, I would say that marketing of Forex day trading has made a difference. We now see thousands of traders who have never seen anything but Forex. It has been marketed heavily, and people who know nothing about trading are brought into it. Nobody is there to teach them how to trade, or to show them the reality of what they are up against, so they just lose their money.

Third is the opening of new exchanges all over the world. It tends to reduce liquidity in some markets because you can trade in your own country, not just in the U.S. So new exchanges and new markets that never existed before are now with us.

These three primary changes have resulted in one general change, and that is the "composition" of the markets. Instead of the markets being very professional, as they were when I started trading, now the markets are very unprofessional. We can see increasing numbers of private, individual traders, who are jumping in and out of the markets because they think that is what they are supposed to do. Today the majority of traders want to day trade, and they know nothing about long-term trading. Not only do not they know about it, they do not want to know about it. They think they can buy a magic system or read a book and get rich day trading, which goes against all

human logic. If it were so, why would we have to work? We could all become traders and let someone else do all the work!

Let us discuss the demo accounts. You said that the results when demo trading can be significantly different from what you can expect in live trading. In what ways?

Well, in demo trading you are always filled. When you are trading live you are not always filled. What's more, in demo you are usually filled at your price. In other words, you put in a limit order and you are filled at the limit.

In reality, it is very difficult to be filled at the limit. I would say that about 80 or 90 percent of the time when day trading, you are not filled at the limit, unless prices trade through at the limit. This completely changes the final result.

I have a method on my computer (you might even call it a system) that trades treasury bonds. It uses limit orders in and out. If I run it on simulation, it is an 80% winning system and it makes tons of "virtual" money. But if I make one little change, like "do not consider the order to be filled unless it trades through the limit" and then run the simulation, it is one of the most horrible, losing systems you could ever find. The equity curve of the virtual winnings goes straight down. The system goes from 80% winners to 60% losers. The difference is amazing.

I show the students who come here this one little difference and the impact it has on the outcome.

That is probably one of the reasons why some people recommend switching from demo trading to real mini lots just after a trader gets familiar with the platform. What would you recommend?

Do I have to restrict it to Forex?

Not at all.

The safest way to trade, the one that requires the least amount of capital in real trading, is to trade commodity spreads.

I do not consider the mini Forex accounts as real trading. To me, trading mini Forex is not realistic because banks do not trade mini contracts. They trade full-size $100.000 contracts. So when a broker creates a mini contract, it is something completely artificial and controlled entirely by the broker.

But back to the commodity spreads. They require very low margin; often it is about 1/15 of the margin that is required for futures trades. This is significant if you have a small account, which many traders do have. You get much more efficient use of your trading capital when you trade spreads. There are no stops with spreads. Stop running is the number one enemy of beginners and undercapitalized traders. The only thing that exists with spreads is the mental exit point — nobody can see your mental exit point; nobody knows where it is. You get away from many of the effects of wild volatility. The exchanges have no idea how to set margins for spreads, so they are in essence very low. It is a great advantage for a spread trader because margins are based on volatility, and spreads appear to have

very low volatility. There are many other advantages to them, but that is a topic for some other time.

I want you ask you about the Law of Charts. Can you say a few words about it for the people who do not know anything about it?

The Law of Charts is something that fell on my head like Newton's apple fell on his head. I knew there was something there that I was having trouble detecting, some kind of order in the market. I happened to see a chart of natural gas meter readings in Southern California. It looked like a line or bar chart, and it had highs and lows. It looked exactly like a price chart in that it had certain formations. The force that was behind the chart line was the usage of natural gas for heating and cooking. The chart line went up and down according to usage. In the winter, people heated with gas, so the chart line rose because they used more gas. In the summer, there was less cooking and no heating, and the chart line moved down. I asked myself, "What is the impetus behind a price chart? What is it that drives prices up and down? What do I see here, why do prices move?" And I realized that it was human action and reaction to the movement of price.

There are people who can move prices. In other words, the movement of prices is not always caused by supply and demand. There is definite movement of prices by those who can move them. And then, when prices move, the reaction to that movement occurs. And that is basically what the Law of Charts is about.

I refined it to three very basic patterns: a 1-2-3 low or high, a Ross hook, and consolidation.

There are three types of consolidation: a ledge, which consists of up to ten bars; a congestion, which is eleven to twenty bars; and trading ranges, which consist of twenty-one or more bars. And you can see these over and over again, so what we are looking at involves a law.

A couple of years ago someone sent me a chart of water levels in the Elbe River in Germany, which were affected by a combination of the amount of rain and snowfall, along with the usage of water from that river. It had the same things: 1-2-3s, Ross hooks, and consolidations. Then someone else sent me another chart. It was a beautiful candlestick chart which turned out to be the result of a random number generator. Still, it was making the same patterns.

I realized that there is some kind of physical law that forms these patterns. I do not completely understand the law, just as people do not fully understand what electricity is, but they know how to use it. The same thing exists with the Law of Charts. As long as you know how to use it, you can make money with it.

It is not a system or a method, but I have learned how to implement this law to make money with it, and that is what is important.

You provide an e-book on the Law of Charts on your website for free, am I right?

Yes, that is right. I got it for free, and I give it for free.

You mentioned in the questionnaire that risk management is far more important than money management. What exactly do you mean by risk management?

I think that first I have to explain what money management is and then show what the differences are between money management and risk management. My way of viewing money management decisions can be summarized in a few points:

Determining the size of your margin account is money management. You have to decide how much you are going to have in your margin account before you can determine how much of it to risk. This is done before you start trading.

Deciding to trade with objectives is a money management decision.

Deciding to optimize rather than maximize gains is a money management decision.

Leaving some of the move on the table is a money management decision. I never try to take the whole move. I do not try to stay in a move until it reaches as far as it will go. I take an optimal amount, and I am done.

Controlling overhead is a money management decision as well. You do not need a cutting edge computer to trade as you cannot go any faster than the data input. You cannot go any faster than the Internet. I use a cheap computer for my trading. I think I paid about $750 for it. And it works.

Risk management is best shown by a series of negative statements. You increase risk, if you:

- Trade too many contracts,
- Trade too often,
- Do not use stops,
- Enter the market when ticks are large (if the market ticks 5 pips instead of one pip at a time),
- Trade during news releases,
- Trade when the market is too liquid,

Add to an existing trade. People think they can add to their position. But you cannot actually add to a position; you just create a new position, which is dangerous because you might be near the end of the move. You are taking increased risk because you are closer to the end of the move.

That is basically what I mean by risk management.

You also said that the less you trade, the more money you make. Is that because then you focus on the best entries and exits, and are not overcome by greed?

Those are some of the reasons. We have proven this, and I think that other traders have as well. We have a student from Germany who sent us his results of 3 months trading. There were periods when he traded a lot (and earned a little) and when he traded a little (and earned a lot). He was really surprised, because he thought it would be the opposite.

I guess that the more you trade, the more at risk you are, and the more tired you are. The more you trade, the more difficult it is to stay focused.

Remember when you were in school? Each class was approximately 45 minutes. That is because it has been proven that people cannot stay focused for long periods of time. And if they have to, their results are far worse. The human attention span is limited.

It's the same thing in trading. After a whole day, you just do not know what you are looking at any more, and you make mistakes. It is better to carefully select trades and wait patiently for a trade that you know "has your name on it."

People try to take every trade that comes along because the greatest fear in the market is that of missing a trade. The fear of missing a trade is far more powerful that the fear of losing money. Aspiring traders think that each particular trade might make them wealthy. So they take every trade in case it is "the one," instead of carefully selecting the trade, according to the approach we talked about.

You said that you always maintained an equity curve of your performance. How did you analyze it? What information were you looking for?

I guess that first of all I have to explain what this equity curve is, and its ingredients. I actually create an omnibus account — not a real one. In that account I keep track of every trade I ever make, whether it is real or simulated. All trades go in there. I curve-fit a moving average to that account. As long as my equity in that account is above the moving average, I trade with real money. If my trading drops off and I go below the moving average, I stop trading with real money. I stop trading completely for at least one week, and I try to figure out what is wrong.

The answer is always me. It can happen in two ways: either I have drifted away and I am not doing what I was doing when I was winning, or the market has changed and I failed to change with it.

Then I paper trade or trade a simulated account until my equity curve goes above the moving average. At that point, I start trading with real money again.

This method forces me to keep my losses small, and to keep my winners running when I am doing well.

People have learned a lot from you, and many, many people consider you to be their mentor. What of importance have you learned from your students?

Well, one thing I learned is what not to do! That is much of what one can learn from students. You see their mistakes and you say "I am not going to make those mistakes."

But seriously, the teacher always learns more than the students. That is why it's fun to be a teacher.

I learned a lot about option trading from them. I learned a lot from Andy, who is our spread trader. He started out as a student, and then became a specialist in spread trading.

I learned about method trading from some of my students. I was able to expand and tweak their methods, which allows our students to earn while they learn. The idea came from students, and it has been a great success. Giving them a successful method they can use is a great thing. They learn from the method itself, as well as from the discipline involved in using it. We did not expect that before we created the methods. We offer them methods for different markets and time frames, and they are able to earn while learning, so they have a really positive experience.

There is a certain amount of experience one has to have to be successful, and very few survive long enough to get the experience they need. You have to encounter a variety of

situations that can come up, and then learn how to handle them. It takes time, but there is no other way. No amount of money will teach you those things.

If you look at any profession, like a doctor or accountant or engineer, you are not worth much of anything for the first 3 to 5 years. Sure, you get a pay check; someone is paying you to learn. But who pays a trader to learn? Our idea was to motivate people while they learn. Then they can survive until they can trade on their own.

We want to wish you all the best for your 50th wedding anniversary. As you probably know, many traders cannot manage to stay in a long-term relationship due to stress, living in a fast lane, and bringing those negative emotions home. What would you say is your secret for a strong and happy relationship?

First the trading is a part of it. I guess first a person should understand how to trade and keep a proper mindset. The rest will follow.

So slow down and think! Spend 80% of your time thinking and planning, and no more than 5% of your time trading. Slow down, study, learn. Do not waste your time in chat rooms. Make sure you have enough cash to trade. This will dissolve much of the stress.

In three days I can save three years of a trader's life by showing him what he needs to know, and what to focus on. You have

to filter out all the garbage that is out there. This applies equally to women traders, of course.

It's the same thing in marriage. If you want to be happily married for 50 years, give it your time and effort! Learn to understand the differences between men's and women's viewpoints and needs with respect for the other person. The scriptures have a word called longsuffering, which is different from patience. Patience is what you are with things, and longsuffering is what you are with people. Another word for longsuffering would be tolerance. Tolerate your mate's idiosyncrasies, the little things they do that bother you (and hope they are overlooking yours), and look at the bigger picture — what the relationship means. Treat the other person with at least as much honor and thoughtfulness as you would an honored guest! If people would do that, there would be far fewer divorces and a lot more happy marriages.

Thank you for your time.

Conversation with Robert Miner

President and Founder, Dynamic Traders Group, Inc.

www.DynamicTraders.com

Robert Miner has been teaching practical, real-world trading strategies since 1986.

He was named the 1997 "Market Guru of the Year" for his S&P analysis, forecasting and trade strategies and has also been a first place winner in the annual Robbins World Cup Championship of Futures Trading. His book *Dynamic Trading* was named the 1999 Trading Book of the Year. His most recent book *High Probability Trading Strategies* has been one of the top selling trading books for four years in a row.

Miner has consistently published a market advisory service since 1986. The current advisory services offered are the *DT Daily Reports* for Futures, Forex and Stock/ETF trades and the *DT Trade Alert Service*. His reports are not just trade advisories but an ongoing practical trading education.

The Dynamic Traders Group flagship educational program is the *Dynamic Trading Multimedia E-Learning Workshop* which includes over 30 hours of comprehensive and practical trading education.

Miner's *Dynamic Trader Software* provides many routines and reports not found in any other software program. Only *Dynamic Trader* provides the comprehensive arsenal of unique time and price projection routines that allow a trader to consistently identify high probability and multiple time frame time and price zones where trends make reversal.

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Beginnings

When, and in what circumstances, did you for the first time consider trading as something worth trying?

I believe it was in 1984 that I read about commodity and futures trading. I don't know if I thought about it at that time as a career I wanted to have but I just found that it was interesting and I wanted to try it. I opened a small account and began to trade with a very, very simple technical analysis.

Could you describe your first system? Did you have any strict rules?

No. And that's of course the problem with most beginning traders. I didn't have a system or strict rules. That was a big problem. When I began anyway, I read many books but at that time, in the mid-80s, there weren't many books about commodity trading.

When you know very little and you read something in a book, you think that this might be important and worthwhile. But it's

not always important or worthwhile. Or something worth including in your own trading plan. So, I didn't have an early system. But I did focus on W.D. Gann's teachings and Elliott wave.

Did you experience periods of hesitation when you wanted to leave trading?

Yeah, every time I called a broker <laughterter>. At that time I didn't have much money and the market moves pretty fast. I didn't have much confidence in myself or my trading because I didn't really understand the whole business. Fortunately, I just had a small account and I only took small risks, so I didn't have any disaster happen to me.

If you initially lost, what caused you to stay in the game?

Trading is really difficult to stop. You always think you are going to figure it out. That there's some simple procedure or rules that once you discover them, you're going to have a money machine.

It was simply that I think I liked what I was doing: I liked the charting, I liked the challenge of technical analysis. So I kept at it until I figured it out, how to put some sort of trading plan together.

What was the most memorable experience that determined you to trade further?

I don't remember anything specific. I think it was just an ongoing challenge of understanding how the business works. But there wasn't any particular experience.

Did you have any external support at this time? Such as friends, family, mentor or a book.

My wife at the time did not discourage me. It wasn't really a support system, but no one discouraged me to stop trading. I didn't have a mentor. Almost everything was self-taught by self-study and trial and error. Experience is always the best teacher.

Did you keep any trading journals?

I didn't at first. But I eventually learned that this is one of the important things you need to do. To have some sort of a trading journal. In my first book "Dynamic Trading" I actually showed the type of journal I developed where I kept the information for each trade together.

Again, it's another of those things that you don't realize how important it is when you start trading. When I started, I didn't keep a journal and I realised: Wait a minute! You need to have a journal to be successful. It's the only way to review what you did right and what you did wrong.

And to learn from your own mistakes and successes?

Of course, yes.

Did you have a high level of stress when you started?

No, I didn't. I never risked so much money that it would be overly stressful.

Did you attend any trading seminars or training sessions?

I did. The most memorable one was a series of seminars over two or three years with doctor Baumring. That was primarily on the trading techniques of W.D. Gann. Those were the most important seminars I had as a background.

Can you describe this period? You said it lasted two or three years?

Yes. It was a series of twelve seminars over about three years. I only went to the first five or six and I don't think he ever completed all twelve. They were all supposed to be on relation to W.D. Gann trading techniques.

He wasn't a very good teacher <laughterter>. But he opened my eyes up anyway to the ratio and proportion of the market and a different way of looking at cycles of the market than the typical cyclical analysis. That's why I consider these seminars important.

Other than that, I don't remember going to other seminars. But I read lots of books, lots.

By the way, you have to keep in mind that I didn't use a computer. Most people did not have computers in the mid to

late 80's when I began. Computers, trading software and real time data were very expensive. We updated our charts by hand every day, at the end of the day.

And sometimes I would go to the broker's office and sit there and I would do 15-minute and 30-minute charts by hand, just by looking at the prices they had at the screen. I had no data supplier.

What did you learn from the early phase that benefited you most?

I guess the best lessons were to have a plan and to understand why you have certain guidelines and certain rules for your trading. To understand why they're important. It's not that this was a mechanical trading system but to understand why you would be looking at these certain ratios and price targets. Are they consistently relevant? Are they not?

The other thing is that you have to have an entry plan to get in the market, to limit your capital exposure and you have to have an exit plan worked out before you start the trade. These were some of the most important things I learned.

How was your first year of trading? Was it profitable?

God, I don't even remember. If it was profitable, it wasn't much <laughterter>. I would say that at least the first two or three years it was between slightly profitable and slight losses. It certainly didn't pay for the time I put into it. It takes a while. Again, it was almost thirty years ago.

There just wasn't the kind of network to meet other traders like today. Today you can meet them from all over the world on the internet. I lived in Arizona at the time and I didn't know anybody else that traded. The learning was very, very slow.

Did you have a regular job at this time?

Oh, yes. I was a real estate agent. I also bought, fixed up and sold houses.

How did you reconcile trading with this job?

I didn't reconcile it. I just did it. Trading became my part-time job while I was doing my regular business.

Taking into account your actual experience as a trader, do you have any suggestions for beginners?

Beginners should think through whatever approach they're using. Why they use certain technical analysis factors, what are they trying to accomplish with that information. And how that information is relevant.

Then focus on the entire business which is identifying probable setups, identifying the risk and the whole trading plan from entry to exit. I think most beginners - this is very typical – just focus on entry strategies, on stop losses. They don't really focus on the whole trading plan. How do I manage this trade and get out of it? That would be one of the important things that I would recommend to any trader.

Don't get overly focused on just entering the trade. Money is only made after you've sold the product.

From perspective it's rather obvious but not to a beginner…

No, it's not obvious <laughterter>. Unfortunately. As I have written many times, ever since my first book over twenty years ago, that you need to treat trading as any other business. And you have to think through the whole business. If you're selling a product in that business, you not only think through manufacturing, purchasing the product for sale but how do you service the customer once they buy it, so they'll come back again. And in trading, unfortunately, they think it's something different. But you have to focus on the whole process.

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Transformation from a beginner to a successful trader

When did you reach the level of systematic gains?

I don't really know, probably after five or six years, something like that. You mean consistent gains. It took a few years, I don't remember exactly. Certainly it was at least four, five years before I really understood the business and was able to be fairly consistent.

Today people want to read a short book, preferably an ebook and want to be a millionaire the next day.

It's crazy, just crazy.

The timespan and the learning curve today should be shorter than it was for me because there's so much information out there, we have in expensive data and software and everything but I don't really think it's shorter.

People think they are going to have a solution because they have more data and more information and I don't know if that's necessarily the solution.

You really have to think about how long does it take to get a certificate for accounting or whatever trade. It's a minimum of a couple of years of education. It could be four years and then a couple more years of experience before you're good at it. It's the same with trading.

Could you describe your biggest win? How did you feel?

I don't really remember. I don't think I had a win that was so big that I got crazy <laughterter>. I certainly had some, let's call it windfall profits. You get on the right side of the market and you expect it to go five points but for whatever reason it goes thirty points fast and you made a lot more money than you anticipated.

But I recognise these as windfall profits. I had a large win in soybeans very early on. I can remember it was from options. In a fast market, you can make big money. It's not like anything else because they're so highly leveraged. I can remember that a day after I entered this position the market just took off. Of course the first thing you think is: "Boy, was I smart!" as opposed to "I was OK, I got on the right side of the market and was lucky because it went this far, this fast".

You always feel good when you get wins but if you're consistent in this business, you're going to have lots of winning trades. It's just part of the business.

On the other side, could you describe your biggest mistake? What lesson did that experience teach you?

It taught me not to hold on to a losing trade. Years ago, I was on the wrong side of a trade and it wasn't with futures, so it wasn't highly leveraged. It was either one of the mutual funds or maybe it was an ETF. But it moved against me and I should've exited but for some reason I thought "That isn't highly leveraged, I'm going to hold on to it because eventually of course I'm going to be right". Well, it just never went my way.

So it was a fairly substantial loss because it was a substantial position. And it taught me that even if I'm trading something that's not highly leveraged, you've got to get out of it right away just as you would in something highly leveraged. I felt

terrible. I felt stupid. I did something that is just the opposite of what I teach people. I didn't feel good at all.

Today, what do you do to prepare yourself mentally before each trading day?

I don't do anything special. To me it's like a business or a job. I have always traded longer term, looking for trades that should last several days to several weeks, so I don't typically sit in front of the live data during the day. I have it on in the background if I want to look. Here's an example: today and for the past two or three days and for the next two or three days I'm looking for at least temporary top in the S&P.

At the end of each day I look where it's at. And since it reached all this targets already, I just go to a smaller timeframe and set an alert during the day. If it goes off, I'll look at it. Otherwise I might not even look at the market. Before the day starts I know what I am going to do. I am prepared. It's simple preparation, not a lot of time because I only look at a few markets.

Do you have one system or many systems, like two or three?

None of my trading plans are a system. They all require some knowledge, experience and judgement. I have general guidelines in the trading plans, like what the market must do before I consider a trade. I have a very systematic and objective system to enter the trade once I make the trade

decision. It's not really a "system", more like an approach with guidelines.

Maturity

What do you think is the role of discipline in trading?

It has the same role as all other aspects in life. You have to have discipline to accomplish anything. Anyone without discipline is probably not going to accomplish anything worthwhile, let alone in trading.

The thing with trading is that it can move so fast. It's different than other things in life. Things in life may move more slowly and give you warning about change, give you an opportunity to change your plan or directions. And trading usually does not. So you have to have discipline to keep with the plan, regardless of what the market is doing.

Do you have any regrets regarding your career path as a trader?

No, not at all. I have enjoyed it and still enjoy it. I'm sure there are all kinds of regrets about the stupid mistakes that I made over the years but no regrets about engaging in the business of trading and educating traders. It's been very good to me.

What are the cardinal rules of trading according to you?

I don't really have cardinal rules other than limit your potential losses. If you suffer too much of a consistent drawdown, step away from trading for a while. That's something typical, what

most experienced people will tell you. Stop trading and find out what you are doing wrong.

Also realise that trading may not be for you. I always use the example that I've been trying to learn Spanish for the last two or three years but languages are not for me. I find it very difficult and Spanish is probably the easiest language to learn, for an English speaker anyway. I just have a terrible time. I would not even think of making my living where I had to speak Spanish.

So many people should realise that trading may just not be an appropriate business for them. As far as the cardinal rules go, I don't have ones. That makes it sound like it's too simple if we make some rules and be successful. And it's not the case.

How did you prepare for the Robbins World Cup? Is trading during a competition different from normal trading?

I didn't do any special preparation that I recall. It was twenty years ago, I can't believe it was that long ago. So I didn't do anything special, I just had a good year that year. The stars were in alignment <laughterter>. I happened to do the contest that year, I happened to have a really good year and good returns. I fortunately stuck to my plan and didn't over leverage and give back the early returns.

Do you have any suggestions to others that want to take part in such a competition?

Not any specific suggestions, but I think it's a really good training.

I would suggest to anyone to consider doing it or something similar to that. Last year I entered that contest again and that's the year the PFG went bankrupt. It was the broker where all the contest trading accounts were. I was really aggravated because I was in 5th or 6th place. I was 40-45% up by June and then the contest stopped because PFG went bankrupt <laughterter>. I was so aggravated. I usually don't focus on the markets so much as I did then during the day. I was doing nice, consistent gains. I was shooting for 100%+ that year and I was up over 40% by June. And then the contest is over. So the stars were not lined up that year <laughterter>.

Anyway, I would recommend that anyone consider the Robbins contest.

I know that you are passionate about old cars. Is it true that every car has to be driven from time to time or it will stop working properly?

Absolutely yes. If you don't drive the car on a fairly regular basis (it has to do a lot with lubrication) then it will start to leak. I guess it's the same with anything else that you know how to do. You have to practice it on a fairly regular basis to make sure that your skills are well-oiled and working properly.

Can you tell us more about your passion for cars? I know you have a Packard.

Yes, I have a 1947 Packard. Beautiful gold and brown colour. It's a fantastic car. The first car I ever had was when I was 16 was a 1929 Ford model A. So, I have always liked old cars. They have more style, they are more fun, they have more design.

They have a soul…

I think so, yes. You feel like you're driving instead of hurrying from point A to B. In an old car you have to take your time to take care of it and they are joy to drive.

What would you like to say to the present and future generations of traders?

I think trading is a fantastic business, that you discover a lot about yourself. That's probably true for most businesses where you have some responsibility. Trading of course is the ultimate responsibility because you're the one that gathers the data, you're the one that makes the decisions and it's your money that you win or lose. It's an important kind of business to learn about yourself.

And more importantly, you can become independent, financially independent. I don't necessarily mean that you are going to become very rich but if you become very good at it you can have some kind of steady income. Like in any other kind of business that you become good at. It's very important to understand how the business works and have a plan all the way from the beginning to the end. From the entry to the exit.

Let's suppose that our reader is a complete beginner. Which of your books would you suggest to start with?

By far the most important is the recent one, "High Probability Trading Strategies". There's a lot of information in that book. It includes two hours of video recordings, so for a fairly modest cost they can get a good trading education.

What are you doing today for the traders? I understand that you are trading for yourself but what are you doing for other people, other traders, your students?

Right today, this month and over the next few weeks I hope to finish the next version of my Dynamic Trader software programme. That's my contribution to the traders over the last twenty years. That software programme is still fairly unique and does a lot of things that other trading software doesn't do. That's my project.

Suppose our reader hears about your software for the first time. What would you say to encourage him or her to study or consider buying and applying it?

I always direct them to our website to see some of the videos and what the software does. And to read the book. To understand my approach to analysis and trading strategy.

Then it's a decision they make if this seems right for them. Do they understand what the software does and why it's unique and how it's going to help them. I can't really sell the software

to them, give them a hard sell. They have to come to this decision themselves.

I always tell people if they ask me lots of specific questions: "Well, I've got a lot of information about it. Read it and then, do you understand what we are doing? If you do, then I think you are going to find the software useful."

This was my last question, thank you very much.

It was nice to talk to you.

Conversation with Tom Williams

Tom Williams is the founder of TradeGuider Systems Software (formerly Genie software) and initiator of the Volume Spread Analysis methodology - he was also a very successful syndicate trader in the U.S. Tom was introduced to day trading while working in Beverly Hills for a boss of an elite group of trading syndicates. These trading syndicates revealed their successful strategy to Tom. He gained their trust and confidence and soon became an established member of their organization.

Williams retired from professional trading at the age of 40, taking up a number of commercial ventures during this period. Tom continued to trade as well, but became consumed with all the knowledge he had learned from the syndicate and it's traders back in the United States. Tom's real ambition was to help traders operate in a more informed way, and this idea formed the basis of his software development company, Genie Software Ltd. He wanted to computerize the Wyckoff Method and the knowledge he had gained from that course to produce automated trading signals that did not have to rely on human intervention. Tom further developed Wyckoff's methodologies to create his own more potent methodology - Volume Spread Analysis - regularly referred to as "Wyckoff on Steroids"!

Tom has spent many years refining the signals in this flagship product, VSA (the forerunner to TradeGuider) to make

TradeGuider Software Systems what it is today. He also wrote two books that he self-published, "The Undeclared Secrets that Drive the Stock Market" and "Master the Markets". Both books have now sold or been distributed to over 100,000 traders and investors worldwide.

This interview is attended by a third person, because Tom was poorly heard. It's close to Tom's student, Gavin Holmes. The interview with Gavin is in the book.

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Beginnings

When, and in what circumstances, have you for the first time considered trading as something worth trying?

Well, originally I trained as nurse in England, SRN [State Registered Nurse], but it wasn't my passion to be quite honest and I like to travel, so I went to California to where the money is, Beverly Hills. I was free to start on any project that would make money. I had a sheer luck to stumble across the actual owner of a trading syndicate. Because he was a drug addict, they needed someone to keep an eye on him.

Gavin: So you were basically a nurse and you were working for him?

Yes, through an agency.

So how did you get to trading from that, then?

Well, because there's a guy and he owns it, I obviously used to go to the trading room with him and I was soon introduced into chart drawing which gave me something to do.

Gavin: So, basically they told him to become a chartist, because he was good with technical drawing and that's how he got involved with the markets. Rather than sitting down and doing nothing, here's a ruler, here's a pencil – you're gonna draw our charts for us.

Tom: I would use a roll ruler, that's a ruler with a roll in it. I've still got it here actually. And a pen. And of course the data was important. So we had women that would pick it up from the ticker tape in the office.

Gavin: So they'd give you the ticker tape which is the volume basically and you drew that on the chart.

Tom: They didn't give me the ticker tape, they'd give me the data from the ticker tape.

Gavin: So, that's it, that's how he got into it.

So, it was a kind of tape reading if I understand you properly?

Gavin: Yeah, he became a tape reader.

Could you describe your first system you used on the market?

You see, those guys in the trading rooms, they make very, very bad or poor teachers. They are not really concerned whether

you start to make money or not make it or in helping you. But, because I'm a Capricorn, and the whole mark of the Capricorn is that usually they are persistent, they don't give up. I was intrigued by the stock market and how you make money there. So, I wasn't really a good, keen male nurse.

Gavin: What was the first method you were taught then as trader?

Well, I wasn't taught anything. I picked it up as I went along. I did take a course from SMI (Stock Market Institute), they were in Chicago at that time, in the Wyckoff method.

Did you combine the Wyckoff method with the tape reading, with volume?

Oh, yes, volume is the key part of it.

Did you experience periods of hesitation, when you wanted to leave this field of trading?

Well, when you leave Poland for 15 years, you get a strong desire to get back home. People like to go back to that cave where they were born <laughterter>. It's so hot in Los Angeles and the smog is terrible which I didn't like.

Gavin: Have you made enough money at that point to retire anyway?

I've made enough money, yes.

Gavin: So, how old were you when you came back? Forty?

When I came back to England I was in my late forties.

Did you continue trading?

I did not do my fair amount of trading in England. Because these were the early days, the data was difficult to get hold of. And if you wanted a live feed, they wanted something like 500 pounds a day for it, it was ridiculous. And the fees for trading were very, very high. These were the early days, around 30 years ago, they called it the Big Bang, here in England.

I wanted to ask you about the early years in the States – the syndicates and making money through market manipulation.

How they'd make money was they'd absorb and buy what you'd call the floating supply that's available in the stock. And once you got the majority of that floating supply, you can then mark it up and do what you like with it.

Gavin: So, that's the story of the company, let's call it T. that's he referring to. You wouldn't necessarily tell the truth in the board meeting trying to get more stock which is manipulation.

If you're a professional trader, those guys bend over backwards, they don't care about lying. We had a favourite news reporter that we could always ring up and give him a story and they were printed.

Without any verification, any checking of the background?

Yes.

Gavin: But this is still done today. They still have journalists that get paid to print a story that is completely factitious. In this example, Tom was at the annual meeting of the company T., they are still trading actually. And he asked a question to the board of directors: "This is completely made up!".

Tom: To influence all the people there, the shareholders, to either buy or sell, you would tell a story. If you were distributing your stock, then the story would be a bullish one. And you'd be surprised how a few hundred people will listen at a board meeting or annual general meeting and will buy because of some old story that you tell them. You can even tell it in front of the board of directors. And usually they don't even know what's going on.

So, this was your primary way of making money in this syndicate?

Yes. At the syndicate they'd remove most of what you call the floating supply. When you have a share issued, there are only so many shares issued. Lots of it goes to banks to cover loans, lot of it is held in the pockets of directors, so they keep control of their positions. There's a lot of it never being traded, you just put it at the bottom of the drawer and leave it there and so on and so on. What's left is what you call a floating supply. The stock is available to buy. If you buy enough of it, you find out that you are able to control the actual price of the stock. It is quite commonly done. It's a syndicate. You could get a

syndicate in Lloyd's in London, the insurance company. It's a group of wealthy individuals that want to trade with others.

And who are the syndicates of today? Do they exist?

It's the same thing today <laughterter>.

Where from did the syndicate have money for buying stocks?

It was all their own money, they were all wealthy individuals. You also had people like Cliffton Webb, who was a famous actor, coming with a bag of money they wanted to invest.

Did you advertise your services to the public?

No, I didn't.

You would never see him at your door. It was all very secretive.

How then, for example, Webb knew about your existence to come and offer you money?

Well, the word gets around.

So, you were quite a success?

Yes, but I was only a part. There were like 15 guys involved in it. So I was only a part of the deal. But I played an important role as I kept all the charts up to date. There were 12 stocks we manipulated and followed. Only 12. But you are talking about a lot of money. We removed the floating supply, we had

absorbed all that. How you could mark up the price right then – you would be surprised.

Do you know who are the syndicates today on the Forex market? Because the Forex market is much bigger, there is much more money involved.

That's a different type of market. In the Forex market you can't remove floating supply. The banks are daily dealing huge amounts straight into the market, that's why the currencies tend to move faster and trend better.

Gavin: But there are people manipulating the currencies. Soros is just one example. Tom actually knows a guy, I know him as well, that works for a Forex firm here. They are trading at least 5000 lots, sometimes more. Over 5000 contracts in Forex! This guy, I can't mention his name, created a syndicate. There are quite few of them where we are, in the south of England. So it's not uncommon.

Did you experience periods of losses in your trading?

No, not really. We had a simple system – if you removed the floating supply, you were in charge. You couldn't really lose.

Gavin: Think about it – you're controlling the price of the stock and you can move it up and down at will. How can you lose? It's a guaranteed way of making money.

Tom: The drawback is that you need quite substantial amount of money and some skilled traders to do it.

Did you have any system for tracking your performance on these days?

Well in the syndicate that was an information that they would keep to themselves. Because they didn't want publicity. I never had a system for tracking my own performance, no.

Gavin: You either made money or you didn't. It was simple as that. Tom is very different from the way I like to keep my records. He never kept any records. He doesn't like paperwork.

Did you keep any trading journals?

No, nothing like that.

Gavin: When I said: Do you have a trading plan? He answered: Why do I need a trading plan, I've just made money. When Tom and I wrote a trading plan, it was to help other people. But if you told them that the master doesn't have a plan with a description, they would go "Ooooohhhh". But the truth is that he never had a written trading plan at all.

When you get into your car and drive it around the town for some time, you don't have to keep looking at your plan on how to drive, you may initially, but that's it.

Gavin: Once you learn how to drive, you know this forever is what he's saying. And once you know how to trade, it's the same. Simple as that.

The ultimate indicator of your success is money.

Yes. What I consider a loss, would be if someone took a lot longer, for example there was one stock they've been trading and it took seven years to move it. Seven years of accumulating the stock. Every time they were shaken out or marked down, or there were some bad news etc.

Gavin: But it doesn't mean you lose money, it just took longer to make it. So, I wouldn't count that as a loss. That was just patience and it took time… They have just released some new shares and the stock price collapsed on the news, so it was a shakeout. It's as obvious as it gets. It's a very good stock to invest in, because it's going to start paying dividends. So that's the way it works.

Did you have a high level of stress when you started?

No, I'm one of these guys. I wasn't trading for at least two years, I didn't do anything. I would only draw charts and listen to the talk.

Gavin: Yeah, he never gets stressed in any way. I don't think I have ever seen Tom lose his temper and I've known him for 12 years. Well, maybe once, I remember that, but only once.

It was about the girlfriend.

Gavin: Yes, about the girlfriend! <laughterter>

Did you attend any trading seminars or training sessions beside the one on Wyckoff you mentioned?

No, not really. There also weren't that many on Wyckoff. There are not many people that understand it. I took the Wyckoff course that's still in existence and offered by SMI. They're in Phoenix, Arizona now. But I wouldn't recommend it now, because we're much, much further ahead now.

What was the most memorable experience from your beginnings?

It's an experience when you're in Beverly Hills, you go into the huge tower blocks and there's an office where there is more information on the toilet door than in that office. And they are all very clever guys, it was all very exciting actually.

What did you learn from the early phase that benefited you most?

First of all, I learned to draw charts, I used point and figure. But to be honest, although I made money there, I never got really, really good with it until I forced myself to computerise it. That really teaches you then, because you have to get it right for the computer. You can't be half right. You have to be 100% correct. Otherwise it'd look silly. And that takes quite a bit of concentrating and testing. Now it's easy to me, but it takes a lot of time. That's why when people are trying to put it in a

programme, they get into a lot of trouble. It's not so easy as it may appear.

Taking into account your actual experience as a trader, do you have any suggestions for beginners?

Stick with VSA, keep studying it carefully. Even if you're not clear with it, you will be in time. For example, Gavin didn't know a thing about that or Wyckoff.

Gavin: I still don't, still don't. <laughterter> When you start, you must read volume. You must if you want to be successful.

We brought a woman here called Rita who works for us now and she never traded in her life. Now she regularly trades once a week or more and makes money. And the reason is that you have to be uncontaminated by the market, moving averages and all this stuff. She took what I used to teach to her and that's all she works on. She's cut out of all this unnecessary stuff. I look at the technical analysis, MACD and all this various things that if there is no way in the stock market that would a guarantee to make money by a formula. Such formula would never work because there are lots of highly skilled, clever men out there. If they saw that, they'd be on to it immediately and your MACD would disappear. For example, if you knew that in your city every Friday there was a way for you to make money, you'd be on to it. But so would be many other people. To such extent that the way would not be there anymore. It would be traded

out of the existence before you could get it going. That's my view of the technical analysis.

Transformation from a beginner to a successful trader

When did you reach the level of consistent gains?

Gavin: He can't really answer that, because he never kept any measure of it <laughterter>. I can tell you what my losses and wins are every month. When Tom and I were trading his live account, he would say "We have just made 500 bucks, thank you very much, let's go get something to eat". Next day, he wouldn't even remember making that 500 bucks. All he was interested in was making money on the next trade. The most important lesson I learned is that if it goes against it, cut it. Close it. Don't let it run.

That's very essential, to cut the losses. Immediately. The professional money wants a lot of losers in the market. If you look at the way the things trend, you see how they do that. Cut your losers quickly, get out of the losing position. There's no room for hope, praying, wishing.

Could you describe your biggest win? How did you feel?

You're always very pleased when you get a few wins.

My biggest wins came from trading stocks and shares. When I was there, there were no futures. There were options, but that

was it. No currencies, commodities. There was nothing else, so you made your money on the actual prices of stocks and shares. There were quite a few stocks I traded, company T. still trades. We used to trade US Steel, that's still there.

Gavin: When you make money in the market, you feel good naturally, because this means you're making good decisions.

The money goes into your bank account and that's it.

Gavin: You can't get too emotional about it, it's just money.

It's not like sex, you know <laughterter>. You have to be cold, cold-hearted. Money is only important to you when you don't have enough.

Could you describe your biggest loss or losing streak?

Funny enough, I think I had one on company T. we spoke about earlier. I was running quite a very large trade and I put my stop too close, was a bit naïve. I was sitting there and watching it and it would just tick up, tick, tick, tick. And I think I had at least a 1000 shares going. And then it goes tick, tick, tick, back to where it was. That was a learning experience for me.

Not to have the stops too tight?

Gavin: Yes. That's what most people do. They get stopped out at the market because they're too tight.

If the stops are too tight, they are within the reach of the floor traders that will go for the stops if they can. They can move the market up. And if they are going to get 500 000 shares by doing that, they are going to.

What would be your most significant accomplishment as a professional trader?

Computerising it. I did it really as a hobby. I did it because I was around when IBM first announced its desktop computer. And I remember one of the directors of IBM saying "And what on Earth is a housewife going to do with one in her kitchen". There weren't any programmes for them at all then. They didn't have an operating system. So they called in Bill Gates.

Maturity

Do you add to a winning position?

To be quite honest, I don't trade much right now, because I have sight degeneration and it's quite an effort to see the charts. I can't see the trading terminal. And trading is a game of concentration. And at my age I don't bother too much.

Gavin: But one of your strategies previously was to pyramid in…

Yes, you can pyramid, definitely.

What do you think is the role of discipline in trading?

You have to be disciplined. You have to try being non-emotional. If you place a trade and it's not correct, you need to close it out straight away. That's discipline. Normally when people get in and buy, if it's not correct straight away, they sit there wishing and hoping and praying that it'll go around so they can get out without any losses. You got to keep in mind your normal human weaknesses.

What are the three most essential elements of your success?

I was very, very lucky to fall into the job in the first place. My job came through an agency. It just happened that I was available and they rang me up.

Gavin: And what about the book? I would say that this was one of the key elements to your success.

I wrote the book because when I said "software" nobody knew what I was talking about, so you had to have a book to go with it, to explain to people. And this was going on back thirty years, what's it all about.

Most people don't believe you.

Do you have any regrets regarding your career path as a trader?

No. The only qualification I had was a SRN and RN in California. I never used that. I really liked the idea of trading the stock market, it appealed to me.

In addition to being paid money, how else has your trading career created value in your life?

Gavin: He met me <laughterter>.

It allowed me to relax and never have to work. I just juggled around and enjoyed myself.

Gavin: You told me that you met a lot of bad people but lots of nice people as well.

Yes, you would be surprised that there are some many nice people in the stock market business. You get the occasional ones that try to rip you off, but most of them are very decent people.

Gavin: What he means is not that the manipulators are nice. It's the people we're teaching that are nice.

If you were teaching how to do horse racing or gambling, then you could attract some nasty people. But you don't tend to see them in the stock market.

Thank you very much, it was a great pleasure.

Thank you.

Part II

Young Market Masters

Conversation with Andrea Unger

Born in Tuttlingen (Germany) on 2/12/1966.

Graduated cum laude in Mechanical Engineering in 1990 at the internationally known "Politecnico di Milano" and member of MENSA Andrea became an independent trader in 2001 and focused on development of trading Systems.

In 2004 he attended a seminar of Larry Williams to improve his skills and in 2005 he won the TopTraderCup in futures division with over 60% performance in 3 months. the same year he won the monthly race of the Tcup organized by the Italian broker IwBank with over 50% in one month. The obtained results allowed him to become honorary member of the "National Investment Consultant Organization" and to become graduated "honoris causa" in "Portfolio Management and Asset Allocation".

In 2006 his mathematical mind led him to publish the first book in Italian language about Money Management .

In 2008, Andrea became the first Italian trader to win the most famous trading championship all over the world, he won The World Cup Trading Championships® in the futures division with an astonishing 672%.

In year 2009 Andrea became the first back to back winner of the competition in nearly 20 years winning again with 115%.

And in 2010 Andrea became the first trader ever winning the competition three years in a row ending first with 240%.

In 2012, after PFGBest bankruptcy Andrea enters the newly organized Q4 contest scheduled from October to December and wins with 82% performance.

Andrea is also a member of SIAT, the Italian Technical Analyses Organization member society of IFTA (International Federation of Technical Analysts) and is part of the technical committee of this society.

Andrea has been invited as a speaker to several important financial events in Italy (Milan, Rimini, Rome), Germany (Aschaffenburg, Frankfurt, Lohr am Mein) , Czech Republic (Prague) , China, Malaysia, Singapore, Dubai and New York.

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Beginnings

When have you for the first time considered trading as something worth trying?

I have started being interested in the stock market in '97, more or less. I was still working for a multinational company back then. With a friend of mine we were discussing the possibility of

making money by investing in stocks. We bought some stocks relying on tips, as usual. And we made money. So, we thought that everything is really easy. We discovered it was only part of the truth when we started losing money.

The loses gave me an incentive to study and a rival, let's say, helped me to do some research over the Internet. I have discovered funny things – there were people making lots of money, in Italy especially, using instruments which are called covered warrants. They are very similar to call and put options. Everything looked very easy. So I also started studying those instruments.

With the friend of mine we also bought covered warrants. We had opened positions with a lot of money in gain. We felt rich, wealthy. And again, after a bad day we suddenly woke up and saw that we lost about 80% of our profits. We believed that those profits could come back to our pockets someday. That never happened and we lost about 60% of our initial capital.

I felt stupid because I didn't believe it was possible that someone was making money and I was not. So I kept on studying and continued over several years. Then, on 25th February 2001 - I was at home that day, I kept one day free from work – I discovered the truth.

The truth was that the market makers – banks selling those instruments had bad software and the quotes were delayed.

Depending on the software of the given market maker, they were delayed by 5-8 seconds to even 40 seconds.

You may imagine that if you were good at maths, you could play some arbitrage because you could look at the underlying moves and calculate what the right value of the covered warrant should be. You knew you could buy what was quoted at that moment and maybe sell it 30 seconds later with profit. It was sort of a video game. I played that video game and it was very easy. I was actually very good at playing video games.

So, this was the way I started and I was also at a point in my life when I was dissatisfied with the environment at the multinational company. People were nice, absolutely. My boss was nice, my colleagues were nice but the general environment was not something I liked because you weren't noticed. People in the company were just numbers. Everything was measured in terms of profit which is fine, I don't blame them. But it was not something for me. I didn't like it.

I saw the possibility of making money in the markets, sort of an escape from that world into the world where you were praised for your skills. I made the big decision in 2001, went on my own and started trading. Well, it was not trading. It was playing video games, like I mentioned. The point was that I made money. I was lucky because I could take advantage of a clear inefficiency that was there. While I was playing those video games, let's call them that, I also learned something about the

market, market moves and so on. I realized in that first period that this could not last forever. The banks are not stupid and obviously they had their own advantage in getting volumes into the instruments. But they would, sooner or later, change their software to a more efficient one or change some other particularities of the instruments.

For example, the spread. If you have a very tight spread, you can take advantage of that arbitrage. If not, bid would never reach ask or the other way. So you would not be able to take advantage of that any longer.

So I started studying. Being a mechanical engineer, my mind is easy to shape on the mathematical background, I found a way to face the markets by building automated trading systems. I'm not talking about black boxes which are some complicated algorithms. I'm just talking about a set of rules put together and giving you information about what to do on the market. That was my path.

I cooperated with some friends: Domenico Foti is a very good friend of mine and he taught me a lot. He taught me everything I needed to know at that period of my life. Once it was obvious the covered warrants were broken, I started actively trading on the futures market. Futures and forex are the instruments I am trading today. I have been a trader for a pretty long time so far, as I officially started in 2001. And I am still here which may be a bit of an exception <laughterter>.

Could you describe your first system?

I started building systems based on trend following. I mean the classical trend following with breakout entries from important levels, such as previous high and previous low of the day. I normally built trading systems based on intraday data. I plotted it on 5-minute charts. This may be confusing because I don't mean that I used 5-minute charts to get the main execution of trades. The charts were used to get higher definition of the moves during the day. But my classical trades were breakout entries somewhere during the day and possibly close to the end of the day. Unless I was stopped out, of course.

Generally, the studies I conducted concerned what time of the day it was better to trade. Maybe not in the first hour or two. Maybe not during the lunch pause. All these studies were made with software that was available out there. I also studied what conditions were the best to actually study a breakout or not. Because not all the breakouts are effective, this is something we all know. So, where there setups or conditions which helped the breakout to become a trend or not? These were most of the studies I have been performing and are still performing today. My bread and butter is trend following systems. On some of the instruments I did not stick with intraday because the moves were not sufficient to assure a decent profit, to cover all of the costs of trading – commissions and slippage. Positions were kept overnight.

Classical examples were on the currency futures where intraday opportunities were harder to find. So I kept positions for three, four or five days. Also the Bund which is a pretty cheap market if you can say that. I mean what the tick costs in terms of euro. Obviously, to cover all the commissions, we had to stay in the market a bit longer.

Studies were made to find the ideal length of the trade. We then had a revolution – the markets got more efficient which means the classical breakout pattern may suffer. In any case I noticed that diversification was not the key in the terms of markets but also in terms of approaches. So, I also started studying counter-trend systems. I tried to find out the best setups to understand when it was a good choice to enter selling the resistance or buying a support which is opposite of trend following. And in that case – how long should I stay in the trade, how I should close the trade and so on.

So I built some counter-trend systems. Obviously, just to give you an example, I told you I was buying the breakouts only in some periods of the day. Clearly, the remaining periods of the day could be good for the counter-trend trades. I understood that in some periods of the day the breakout was not effective, because for example the market was chopping then. Also, a counter-move did not start. But that was a starting point to study how to deal with the markets. Also the setups and patterns for volatility comparison are normally good for a starting trend.

The opposite is true for a counter-trend. These are all things that experience tells you when you have software with which you can make all the tests you can imagine. Important in these tests is also to stick to common sense.

So if you find a fancy pattern that allows you to trade well, you should understand what the pattern means. Not just say "Ok, let's do this because it makes money". The point is that when it stops making money, you may not be able to understand why it's a moment to stop using it. Also, later on I started studying the bias of the market which means what the market does when it moves, time of the day it normally goes up, time it goes down, which days of the week it goes in each direction etc. All this information put together allowed me to develop some systems based only on standard and repetitive tendency of the market. I put together plenty of systems with completely different characteristics, for different markets, different timeframes.

The classical indicators approach is not something I used but I started considering that as well. I noticed for example that indicators might be used on higher timeframes, starting from 60-minute bars. On lower timeframes they don't work very effectively. On higher timeframes you can find solutions, build systems to efficiently work on the markets. The studies that we carried out in the last ten years are ongoing. I am studying every day. When I see something, I try to test it to see if that's

something that potentially gives me an edge in trading the markets.

As I understand, you are doing all this by yourself? Did you attend any trading seminar or training sessions?

Yes, I did. First of all, I mentioned a friend of mine, Domenico Foti, who taught me a lot about his approach. But I also went to a seminar conducted by Larry Williams in 2004.

I flew over to the United States and I attended "The Million Dollar Challenge". I have never used Larry Williams' material but what I got from that seminar - Larry is a really nice guy, very clever – was a conviction that it could be done, the right mindset. It was in 2004, I was trading for only three years. I have spent most of that time trading covered warrants, playing. I was not sure that there could be a way to consistently and repeatedly beat the markets. When I was there I saw that it was actually possible.

After the three days of seminar I saw how he worked. His stuff was not for me, everyone has his own approach. It was not something I could easily work with. But I came back with a strong feeling that I could do it. Larry was always helpful, he's a very nice guy, we're still in touch and we are friends. Sometimes we exchange some considerations about the markets. He was the first one to congratulate over one of my victories in the championships. I mean, we know what we are

talking about because we're both involved in trying to figure out the markets.

Did you keep any trading journals? Were they really helpful?

No, not really. I only kept record of my daily equity on the main account. Obviously when I go into a drawdown, that's a kind of an alarm. It's a sign that something is going wrong. I get a bad feeling and with that bad feeling I try to have a deeper look into the systems, the market situation and so on. In terms of a real diary about were my feelings, my activities – I have never done that. I'm not that disciplined. I am disciplined in my trading but not to that level, generally in life I might say.

What was the most memorable experience from your beginnings?

There are so many! I'm not the kind of guy who jumps for joy or the kind of guy who gets desperate. I'm rather a quiet guy, so I never got really strong emotions from trading.

The nicest experience was the activity that developed besides trading – I've been a speaker around the world, I travelled, I met people from all parts of world – from France, China, USA, all over Europe. That is a great experience. That's also the most valuable experience - meeting people, exchanging opinions with people from completely different cultures about trading but also about life.

Sometimes you become friends which is a great added value to what I've done. I must thank trading because it helped me

to achieve that. I was successful, so I got invited to be a speaker somewhere. That was the added value to the activity and the thing that I probably like the most.

What books had the biggest influence on you?

The biggest influence was caused probably by "The Trading Game" by Ryan Jones which allowed me to discover money management. Ryan Jones in this book described his fixed ratio model for position sizing. Apart from the model - which I don't use personally (I used it but prefer other models now) – it opened my eyes about the world of position sizing and money management. I got so keen on that, that I wrote my own book on this subject in 2006 <laughterter>. It's only available in Italian, so I'm not advertising it right now. We're translating it to Chinese but I don't know when it will be ready. Anyway, I wrote that book because I discovered that when I was looking for books in Italian on money management, I discovered that there was nothing about that. So I started surfing the Internet, collecting information and documents about position sizing. Once I got all the knowledge together, I wrote the book that I wanted to exist when I was looking for it. All the income from the book is given to charity. So writing the book was something it did just for the pleasure of having that material out there. I must say I'm very satisfied because now they've just printed the second edition. What you normally see on the Italian forums are people blaming the trading stars, for example person X, that they are not traders, they are just selling stuff and so on. But I have always found positive comments about my

book. Everywhere, on every forum. That was a great pleasure because in the environment where you mostly get bad publicity, I've always found people saying good words about my book which is a great achievement in my opinion.

Could you please give us a synopsis of your book?

My book looks through the reasons why we should use money management. I describe the classical coin toss principles, martingale and anti-martingale, why I choose anti-martingale, why martingale probably kills traders, I really go through the classical methods. I also describe the Ryan Jones method. I obviously referred to him because it's his method. I describe Ralph Vince's stuff – optimal f, fixed f. I also go through Monte Carlo analysis. I added an Excel spreadsheet which I personally use for running Monte Carlo simulations for trading results. It goes through a path – starting from easy things and going to more complicated ones with a possibility for the trader to build a plan for a period of time. That plan should help him in his trading activity.

And what is your position sizing system today? Have you developed your own method?

I am trading a portfolio of systems, many systems together. So the hard part is finding the way to put all of this stuff together. Normally in literature you read that diversification smoothens the equity curve, that it's good against risk. Which is true on one side because if you make a simple consideration that

you're risking 2% per trade in each system and you have 10 systems, you theoretically have a risk of 20%. On one side that's good – one system will do well, the other will do poorly, so your equity should smoothen. But the worst-case scenario is a 20% loss in that case. So I tried to figure out what was the best way to work on this and my current solution is the mix of worst day percentage system combined with a percentage of winning days system and the percentage of my equity to be risked each day. I am still working on that system because as a human being, when there's a bad period I doubt my method, I have a deeper look at it and I try to find some better solutions for the future.

So you're using a mixture of systems and thinking about the best money management method for this whole mix of systems?

Yes, the whole portfolio. I always consider my trading in terms of portfolio. It's also funny that when you speak to people, they always ask you about your system. They never speak about SYSTEMS (plural) which is the right way because it is naïve to think that I could trade the markets with one system for every type of the market. Obviously I have many different trading systems working together based – as I mentioned before – on completely different approaches, on different timeframes, duration of the trend and so on. I mix different worlds into my computer (I'm not working from home, everything is done on an external server) but it becomes harder and harder. The complexity obviously becomes bigger with higher number of systems put together. This is because I trade in an automated

way. If I traded discretionally, this approach would probably be different. But I had to make a choice and so far I have stuck with the automated trading which allows me for higher control of the outcomes because you can build a better plan. But I can tell you that I believe that if we take the best system trader in the world and the best discretionary trader and we measure their results, I strongly believe that the discretionary trader would make a lot more money than the system trader.

That's an interesting point. What makes you think that?

I think that the human brain is still something that no computer can emulate. In my opinion there are things that are not a logical consequence of what can be measured in trading. The biggest part of it for sure. But there are still some shapes which are some deviation of the instinct of the people. The best discretionary trader will always find a way to adapt what he's seeing in that moment while the computer has its rules. You can put as many rules as you want in there but there could still be that one rule missing that makes the difference in favour of the discretionary trader. On the other hand, obviously, the discretionary trader is strongly linked to his emotions – he had a bad day, he had an argument with his wife etc. So he may find it more difficult to concentrate properly. But overall, in the long run, I believe the discretionary trader could make more money. It depends on many factors. Sometimes I consider discretionary trading because of new challenges and to get some amusement out there, stepping into the game in a different way. But I still have my systems running which are

completely automated so I have more time for all the other initiatives.

So you have the money and time and the computer earns your money for you – it's an ideal solution.

It would be ideal if it weren't an ongoing, never-ending process. The point is that most of the work is in monitoring. Not because I am afraid of computer inefficiencies which is something that might happen and happens from time to time. The reality about trading systems is that you never know how long will they live. So you have to always be aware of what's going on and when you have it at as complex level as I have – believe me, you spend a lot of time on analysing and reflecting on what is happening. Recently I started doubting the time efficiency of the systems. At least you can tell when to look into the systems. If you're a discretionary trader, you just have to trade. When the markets open, you have to stay at your computer. While you have to analyse, report on the equity curve or the track record, you can do it on the Sunday afternoon or three o'clock in the morning, whenever you want.

Let's go back to the money management issue for a while. What would be your hints regarding money management for the beginning traders?

Never risk too much. That's the only hint. Consider that 2% per cent risk is already something that is pretty tough. Everything which is above that is dangerous. Absolutely dangerous.

Obviously, if you have small capital, you can't risk that much. The point is: if you have small capital, you can go on market such as forex where you can play as small as you want with mini lots or micro lots. And as small as it is safe I would say. The biggest hint is: don't risk too much. Look at the trade you're going to place, look at the distance of your stoploss and then decide how big your exposure should be to limit the impact of the eventual loss on your capital.

Taking into account your actual experience as a trader, do you have any suggestions for beginners?

Beginners should look for the most important answer. The most important answer is the one that answers the question: "Is trading something for me?". Trading is definitely not for everybody. A sincere answer to this question may save a lot of money. You should really look inside of you, you should obviously analyse how you'd be trading, how will you be facing the markets and so on. After that you should really sit down and meditate if this is something you can do. They should forget about trading as an easy way to make money. It's not a slot machine.

Trading is a business. Considering it as a business is the only way to do it seriously and being consciously aware that you can lose money. The possibility to lose money is always there and you have to take that under control. If you control your losses and you have a valid approach, winners will come. But you

have to be sincere: can I cope with losses? If you can't – trading is not the only solution for you.

There are many things to do in the world. You don't have to trade. Unfortunately most people don't listen to this, they try, they lose money, they lose a lot of money, they are desperate, they spend money on help or mentorship from pseudo-gurus and so on. Everything is leading to disaster. But I still try to convince people that trading is not for everybody and they should probably think about other solution.

During my conversation with Larry Williams, he said something interesting. He approaches every trade in a state of mind of waiting for the biggest disaster, the biggest loss and this makes him very alert to what is going on.

If you base your activity on the biggest disaster that could happen, you will survive that disaster. It will hit you obviously but you will survive it and will be ready to fight again. If you are wiped out by a disaster, that's game over. So you have to consider what could happen in the worst-case scenario. If you have a plan and if that thing happens, you are still alive and you can go on. You can start all over. You have to protect yourself. Don't just ignore the worst event, don't say there is so little chance that this will happen. Because when you forget about it, it's there. It reminds you that you are not the boss. The market is the boss.

Transformation from a beginner to a successful trader

I understand that you are a pretty lucky guy in the area of trading. But when did you reach the level of consistent gains?

I was pretty lucky because I started with that video gaming, so I immediately made money. But it was video gaming, not trading. When I switched to trading I also was lucky because I had enough time to train. I would say that if you start today studying systems or methods, it should take no more than two years to become consistently profitable. Which means you are still losing sometimes but in the medium-term scenario you make money. If after two years you are not in that position and you continue to stumble in the dark, that's another alert that trading is not something for you.

Could you describe your biggest win?

My biggest win is that I am still here, I'm still trading, I'm still making money – that's the biggest win. There are some days when I wish I had stop it because I have losing days, losing periods. Don't think that top trader or a guru never loses or is always right – absolutely not. I lose like everybody else, I have stupid loses sometimes. Exactly like other people. The only difference is that I should be able to manage these situations. There are periods when I'm fed up, not with trading itself but with living from trading. All the projects around that, I have projects with other people around the world - if my trading

goes wrong I have to explain it to myself, if it goes wrong with other people, I have to explain with other people. Not everybody understands, so you are fed up. You say to yourself "Why should I do this, why don't I just lay on the beach in the sun?". But that could become boring, come on.

Could you describe your biggest loss or losing period?

The biggest loss was probably not a single trade. The worst period was when I got one of the most common trader's mistake which is overconfidence. I was making a lot of money and my systems seemed to be all perfect. So I put other systems into the game because they were making money on paper. They kept on making money.

At that point I was probably risking too much. But I didn't consider this because I felt very strong thanks to the wins. And then – as I said – I got a drawdown and it was even bigger because of the higher risk, overall risk.

At the beginning you don't believe it's happening. You think that this is just a mistake of the markets. But markets are not mistaking, it's you who is mistaking.

When I finally realized that I had overall wrong approach, it was a bit too late in terms of protecting that drawdown. In any case, that was a learning opportunity, so I am grateful that I learned it in the early stage. That was a bad way to wake up.

What is the most important part of your system today? Because you have many systems, please choose the best one and describe its most important parts.

The response of the market.

It may be funny but there are markets that are very hard to behave in a similar way so that a system keeps on working on those markets. I can tell you from my personal experience that crude oil futures is one of the most responsive markets to systems in general. I noticed that system on that market keeps on behaving decently. No matter what kind of system, any system. There are some bad periods which is normal. But you have to stay careful because I can tell you that up to a year and a half ago I would have said the same for the DAX futures which in the last period had some trouble. It changed a lot.

Now it's starting to go back to its previous behaviour but we don't know if it's a pullback or a change in its current path. We have to be careful and not blindly believe that things will last forever. So, in any case, the response of the market and the situation out there is always very important. I can also tell you that markets change from time to time and then go back to reality. Especially after big events, like in 2008 when markets went crazy, volatility went up to the stars. After that, the first three to six months of 2009, most of the systems suffered very much because the markets were in a period when they didn't know what to do. As if they were saying "Should I keep on falling or should I recover?". Being puzzled – the markets are

obviously people trading the markets but I say "markets" as a subject in this case – not being sure about what to do, there was a situation where all the moves were not sticking to the

standard behaviour of the markets. And obviously systems which built on the standard behaviour start suffering.

What do you think was the reason of such dramatic change of behaviour on DAX?

It's really hard to tell. If I could answer, I could probably also avoid trading futures on other markets because I could identify changes at the early stage. I might say that it depends on the efficiency of the market. If you look at the S&P for example, which is the biggest market in the world – it had a very good trend following behaviour many years ago and then became more and more efficient due to the volume. It changed and now it's hard to find a good trend-following strategy on the S&P. You are better off finding counter-trend solutions. So, there was a change, evolution, together with increased efficiency of the market. Maybe that's it but to be sincere, I can't tell exactly.

Maturity

Let's go back to discretionary trading. What do you think is the role of discipline in this kind of trading?

It's very important. Psychology and discipline are two most important things.

It doesn't really matter if you are a discretionary or automated trader, you have to have a plan. You have to plan your activity, be able to say to yourself "OK, I will enter here, exit

there" and so on. You have to imagine all the possible outcomes. Then you have to stick to that.

The discipline is probably the most important requirement you have. That doesn't mean you have to be stubborn. You have to follow the plan but you have to recognize if there's some major change which cancels that plan – whatever it is: an important news, a dramatic event.

You have to be ready to change your plan accordingly to major events. To change a plan means to replace it with a new plan, not to cancel a plan and drive blindly for the rest of the trade. It means you have to put new solutions in place and then stick to the new solution.

Be flexible enough but with discipline. It's maybe hard to grasp this concept but it's something that's strongly linked to common sense.

For me that's a very strange idea that if you're also an automated trader you should have discipline. Can you elaborate on that?

Well, I can switch a system off, I can close a trade manually, do all the things that a disciplined trader does not do. I still do them and normally regret. In this case discipline means: trust your system, stick with the system, have a plan, build

in advance a plan when to turn the system off. It doesn't matter what are the rules, just stick with the rules you set for yourself. Don't decide emotionally to switch a system off or to add a

new system to a portfolio. Always build a plan with numbers and stick to those numbers. Automated traders can also be very undisciplined, believe me. That's because they decide to put their hands into the systems when they should not.

What are - in your opinion – the cardinal rules of trading?

Build a plan. I can't tell you: trend-following is better than counter-trending, swing trading is better than scalping. Everybody has to find what kind of approach is best for his personality. Whichever thing you choose, build a plan of what you are going to do.

I always say that it's hard to make decisions and imagine how hard it is to make decisions when you are under stress. And when you are trading, you are definitely under stress, that's normal.

Decisions should be made before clicking on the mouse. Once you have clicked, everything should already be decided and you should know what you are going to do next.

Do you have any regrets regarding your career path as a trader?

This is a very hard question which probably goes into philosophy. I must be sincere and tell you that I don't think I got all the potential that I have in what I've done so far.

I am disciplined but not to the level that I could get maximum of what I could do probably. When I ended the video gaming on the covered warrants (it was easy money) and started becoming, let's say, a serious trader, I strongly wanted to be a serious trader. I ignored almost all the other opportunities in terms of inefficiencies. I remember one thing, I never knew about it exactly but there was a big period in 2008 when there were huge inefficiencies on bonds and people made a lot of money. That was due to mistakes in the market.

You should have bet heavily because there was no risk, it was arbitrage, money for free. I did not really explore those opportunities and being too much involved in development and studies I don't even look for it right now, so there might be something out there of which I don't know or study it. I am trying to be a trader and not an opportunity seeker but being the latter sometimes has its advantages.

The regrets are that I could not structure a system to do both things maybe, take advantage whenever there was an occasion. Just to give you another very stupid example, I think that there are emerging markets out there where probably there are inefficiencies because those markets are not to the level of CME or Eurex. Probably if I could spend some time on having a deeper look inside those markets, I could find some

real opportunities to find money. But I procrastinate. I remember I saved a link to all of the exchanges in the world and was willing to have a look at probably the most inefficient ones to find opportunities and I never started. This was maybe six years ago <laughter>. Procrastination is not something that always helps. I probably could make more money if I were an opportunity seeker.

Another regret is that I still don't have an idea what I will do when I grow up. I love retail in terms of education but I recognize that it's hard to work in that environment where there are many false gurus.

The concept of the guru itself is not something that appeals to me, it's ridiculous. I should probably focus on institutional trading. I'm still there, looking left and right, trying to find opportunities, I have some projects but I don't have a clear, unique way to follow.

As a specialist in money management, what would you suggest in this area to a seasoned, experienced trader?

An experienced trader normally knows a lot about the markets but not that much about money management. I recognize that talking to experienced traders. Most of them ignores the power of money management. They can probably manage risk and they do because they are still there but they don't take all the advantages they could from a good money management plan with all the advantages to the upside. To

the downside you limit risk but then they do not always get all the real opportunities. So I would suggest to them to study this just a little bit more in depth, look at it and maybe they will find something interesting.

What do you tell your students when they want to make too much money too fast?

That it is better to become rich slowly than poor very quickly <laughter>.

Do you have any tips on how to deal with greed and fear?

It's a continuous fight. Fear is beaten by confidence. When you become experienced, you learn to cope with the markets, with losses. If you bet small, you probably have less fear and you adapt your losses to the capital. So when the capital is growing, you are also able to deal with higher losses and you overcome fear. It's a slow process. Greed is beaten by common sense. If you are greedy you will sooner or later have an episode when the market tells you to be less greedy. Hopefully you are not too greedy because then that episode will tell you to look for another job.

How should one learn to deal with losses?

Losses are absolutely part of the game. You cannot avoid losses. Losses are an important part of trading because they are part of the trade, it's a cost of activity. It's impossible to eliminate them. So you have to be fully aware of this. The only thing you have to do is set losses. But only those losses which

were planned. Because planning the losses, you know they can happen and you must set them. If you don't, you will get to a loss that you can no longer set. After that, you get a loss that gets rid of everything.

Normally it's like that: if you don't stop at the right level, the loss becomes bigger and bigger and it gets to a point when you say: "I can't exit the trade now, it would be a huge loss". You wait, you wait and then the loss becomes bigger and bigger and at last you close the trade just to forget about it and try to forget about everything related to trading. These are the three

stages. You have to be aware that losses are a normal part of this business. You are not perfect if you not lose, you are perfect if you set your losses and you manage them.

What should I do if I got a long series of losses?

There are two considerations here. Is the long series of losses possible in your system? Did you know that? Because if it's not possible, then your system is probably wrong and you have to go back to the plan and try to learn that. If you knew that you could probably lose twelve, thirteen times in a row, then it's OK. Probably not the best thing that could happen but it happened.

What are problems of the best traders you know?

Everybody has problems. Common problems are related to computers. Computers are very nice but they can be your

worst enemy sometimes. Everything can happen. This may look funny because you may say that you should buy a more powerful computer. Yes, that's true but there's always a moment when the computer does something that you don't expect. Normally when this happens you are in a traumatic phase because you are in a hurry, you're trying to solve it as fast as possible. Other problems are that they are always trying to understand at what level of the life curve of their method they are.

In case of discretionary traders, their method relies on a bunch of rules and their sensibility whether to add some more rules, to change them to adapt to new markets and so on. System traders need to understand if their system is still alive.

The major problems are always to understand if the drawdowns are actually drawdowns or if something is getting wrong.

If there is some illness in the method which could lead to the death of the method or it's just a cold that gets healed and after some coughs and sniffs we go back to new highs. It's hard to stay quiet in losing period. It's hard, obviously nobody likes that. What is important to understand (which I believe is the most basic problem of the successful traders) is that it's a period. Because a period passes.

There are also problems we all experienced in 2012 when the broker went into bankruptcy and we lost all of our money there

which is not a fun experience. Those are problems that happen from time to time, probably not so often but it can happen.

I am still waiting for some money to be paid back, it's an ongoing process to determine how much money we can recover. I strongly doubt that we recover all the money. I got back less than 30% so far but I believe that I won't see more than 50% in total. I hope it will come back but that was the biggest drawdown in 2012.

You are a winner of Robbins World Cup three times in a row. How did you prepare for the first one?

I didn't prepare, I just took part, just said "Let's participate". In 2005 I won the European Top Trader Cup. It was a three-month contest. I looked for a bigger one, looked up the trading championships and decided to participate. I started in February 2008, I started discretionary trading. After one month

I was up about 45% and I was completely dead. It was too much stress. I adopted a method that was too stressful. So I decided to use my systems. In a couple of days I lost all my gains but I decided to stick to the system and the rest of the year was a great success. I was very lucky because I went into a drawdown and probably one more losing trade would keep me from trading because I wouldn't have enough margins anymore. I won but I was lucky because in contest you must also be lucky.

I know your next question will probably be about risks in championships. Risks are awfully high, nothing to do with real trading. You should not even consider that. But we were there to win, to get the highest percentage. That was a contest. Actually it was funny because I just took part in a contest to participate. When I won I was happy.

But then, in December, I had an opportunity to read an interview with the winner from 2007, Mr. Michael Cook who is a good friend of mine and a very good trader. He said that he was trying to win that championship three years in a row because nobody ever did that. So I talked to my wife and said "Listen Darling, I won this but actually I am one of the winners. But when I win for the next two years, I will become the only one like Mr. Cook stated". So I went on, I won in 2009 and 2010 was a very tough year. Especially the last month, you can imagine. I was there and there was a Canadian guy, Mr. Brady Preston who was . At last the things went well. Brady Preston

fought to the last day of the year, on the New Year's Eve he was still placing trades probably but he did not manage it. I was first. That was a great achievement. I also won in 2012 so I am the only one that won in 4 years. But not in a row. Now I'm not participating anymore because there's too much stress in the contest, additional stress obviously. It was a fun experience but now I go back to a quiet life.

Do you have any suggestions to others who want to take part in the competitions?

The suggestion is: "Be aware that this is a competition". So you have to consider it also as a game. You have to be willing to lose all your money because you have to risk high to win the game. But again, maybe I already told you this, build a plan. Also for a competition, you have to build a plan. Remember that the competition is twelve months long. Which means you have a lot of time to recover, to stay out there and to fight against the others. Everybody in the competition is trying to win it.

What would you like to say at the end to present and future generations of traders?

Trading is one of the activities. If you take it seriously, it can become your job. But never consider it as a land of fun. Never imagine yourself on a sunny beach with a laptop. It is a serious job. It's not a way to make easy money. It is what I really want to tell anybody. Because that's the truth. If you have other talents, use these talents to do something else.

Thank you.

Conversation with Mostafa Belkhayate

El Mostafa Belkhayate

Chief Executive Officer at Belkhayate Finance SA a Swiss based company specialized in commodities providing integrated physical and financial commodity solutions products such as market making, structuring, risk management, financing and warehousing capabilities across a full spectrum of commodity asset classes.

President of Tharawat Capital, Dubai: A finance advisory firm specialized in Islamic Finance engineering offering structured products Shari'a Compliant. The expertise covers sukuk in general and alternative investments providing enhanced return and increased diversification for client portfolios and sold through authorized distributors to institutional, high net worth individuals and retail investors around the world.

President of the Moroccan Association of Technical Analysts, mathematician, he created the Gravity Center Concept of a commodity movement, officially recognized as the best technical analysis innovation in 2009.

El Mostafa Belkhayate is an investment professional and commodity expert with more than 20 years of experience in the finance and banking industries. Over the course of his career, Mr Belkhayate has acquired substantial experience in private portfolio management with focus in commodities. He

has also gained an in depth knowledge in the gold market over his career, having been involved in the establishment and management of the first Moroccan/African commodity fund during his time at Capital Med SA a subsidiary of the 'Banque Marocaine du Commerce Exterieur' (BMCE).

He also undertook research and development of algorithm commodity trading systems, researched risk management on futures markets and completed a money management case study on the oil market. He took on the role of Head Trader at the Windhorst Group in Frankfurt where he worked on the creation, management and development of their trading activities on commodities.

In 2005 Mr. Belkhayate started a Canadian private investment fund investing in the gold market by purchasing directly from gold mines. The fund had over 1.3 billion under management. In 2006, the fund was ranked by Bloomberg #1 among a broad range of commodity funds.

Mr Belkhayate acts as advisor for central banks and financial institutions offering his expertise in gold.

He is Investment Advisor of the Edmond de Rothschild Physical Gold Fund Class A.

He is a regular speaker at conferences and on CNBC, Bloomberg and Swiss TV and has been awarded 3 times the title of best technical and financial analyst (2009, 2010 & 2012).

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Beginnings

Did you have any external support when you started trading, such as friends, family, a mentor or a book?

Not in the beginning. Now I depend on my quants to investigate and deliver statistics as well as to refine the process of determining expectation.

Did you have a high level of stress when you started?

No, I have been lucky in that way. Trading came naturally to me. I believe that if you are stressed, you will not think as clearly or react to the realities of the trade. I have always been able to exit losers fast, to fight in another trade. I have watched and listened to traders who worry and breath heavy because they cannot decide what to do and usually should have already decided something minutes or seconds before. You cannot second guess yourself. For me, it is black and white. I know what I believed about where the trade should go, where I will exit and the time it should take for the market to get there. You need a reason to be in a trade, so if the trade is aged or new reverse signals appear, then you must exit. Otherwise you are wishing, guessing on an outcome.

How did you cope with stress, what worked for you?

There is no one answer. However, I believe that all life, all movement is part of a cycle, spiralling from good to not so good, when one door closes another opens, somewhere. This

belief allows me to keep many things in perspective. And stress is not a bad thing either, it tests your beliefs and will, often enabling one to grow deeper and strong support systems. What I mean is that people that go untested do not know the limits of their resolve. All relative to trading you have to learn to accept losing in order to understand how to win.

Taking into account your actual experience, do you have any suggestions for beginners?

Plan your trades and trade to your plan. Know that unlike anything you have ever experienced you must not wish or hope this is a game of expectations.

What in particular should the beginning traders focus on?

Before you learn to be a trader, it is essential, indeed primordial, for you to be open-minded enough to immerse into yourself in order to know the real motivation behind your desire to become a trader. This reason is and will always be the motor of your success... or failure.

What is the difference between the best traders of the world and the ordinary ones?

It is simply their psychological, physical, mental and emotional preparation and, above all, their relation with themselves. As is the case in all sports, at the high level, it is this preparation that overrides any technical and strategic mastery.

Let's see, for example, the relation of traders with money. The first obvious thing about the job of trader is to make money. However, he cannot succeed in this job, if he does not have a sound relation with money.

If he is afraid to lose money or does not love it, he will have to choose between withdrawing from the financial markets and seriously looking into his relation with money. But he cannot start to speculate if he has not determined this relation. I warn you immediately: it is not easy at all!

Some traders think that they love money but in fact they do not! This looks strange but is true. When they take a winning position, they do not like it and it is only when it becomes losing that they get interested in it. Losing excites them much more than winning. This is a phenomenon that is much known in the milieu of casinos and gambling in general.

Others speculate uniquely out of passion for gambling and not to make profits. Others are so afraid to lose money that they stop breathing (and living) when they take a slightly aggressive position. This is not trading, but a fight against the self. What's the use of perfectly mastering the techniques and "secrets" of financial markets if one would voluntarily sink one day?

If you have been trading for more than 3 years and are almost at the starting point, then you have to stop looking for a better system, a better strategy, a good advisor or software. The problem is you!

What's the source of these problems?

The beliefs that you have very often unconsciously accepted during your childhood, such as:

« Money can't buy you happiness »

« I am not educated enough to make money »

« I was born in a poor family, I will always be poor »

« On the financial markets we end up losing »

These beliefs are present when you put in a buy or sell order. You are not aware of them but they do block your prosperity. Unfortunately it is not sufficient to want to be an excellent trader because our mental beliefs are a thousand times stronger than our desires.

What do you have to do then?

Change your idea of money! The trader generally considers money as something good. NO! Money is only a means for exchanging goods, obtaining goods and comfort...

If you accept and deeply assimilate that money is just a means for exchange, you will concentrate on making it on the financial markets because you will no longer need be afraid of losing or being short of anything whatsoever.

Here is a very frequent situation:

A trader takes a strong position on the Yen against the dollar. He is aware of the volatility of the market. In 10 minutes time, he can make or lose the equivalent of a half of his capital. It is a risk that he has taken. However, immediately after putting in the order, his brain gets the upper hand. He thinks: « I shouldn't have, I should have waited a little more, I shouldn't have involved myself too much, I will lose all my investment… ». Fear prevails and so does regret. What happens then?

His chances of effectively losing are multiplied tenfold only because of the attitude he has just adopted. This seems irrational but I can only explain it to you by saying that I have experienced it. As you will see later, the universe of trading abounds in laws of this kind. We cannot explain them. We have to recognize them, believe in them and implement them. That is all.

What should this trader have done after he had placed his order? Get impregnated with the idea that money is an energy that circulates in the universe, that what he has earned does not belong to him; that everything that emanates from us comes back to us one day depending on the spirit in which we have sent it.

When we operate in the financial markets, all our behaviors boomerang on us. Everything comes back to us. A law beyond our human understanding takes care of all this.

By simply putting in an order while being fully aware that we are just a passageway of a part of the world financial flow, our subconscious stops to cling to the fear of being short of money and flings the door to prosperity wide open.

Maturity

What would you advise to a someone in transitional period to maturity?

It is often said that a craftsman will have to invest 10,000 hours to acquire the skills of a master. Trading is no different. There is no short-cut or magical formula except work and may I add often pain. The trader that learns to accept the pain of losing becomes the champion.

What do you do to mentally prepare yourself before each trading day?

I try always to get enough sleep. I exercise and eat a balanced breakfast. I do not smoke or drink caffeine, so overall I am relaxed. If you worry about your decisions then you cannot be prepared. Again, trading starts with defining the market and determining expectation. Approach the market from a predetermined position and trade to an expectation. In truth all trades have a 50/50 chance of entering and exiting even with just a small profit. However, it is the mindset of the trader that is the real edge: follow your rules. It is OK to lose.

Most beginner traders will stay in a bad trade 3-4 times longer than their winning trades because they (the traders) cannot accept that fact that they are losing or have already lost money. We are not naturally wired for losing. All of our training is based on hard work paying off, so the more effort the better we will rewarded. Trading is nothing like that. It is all about having a statistical edge. In theory at least, you should be able to have your strategies coded and be traded it without intervention or override. If you cannot do this, then you are discretionary and are using intuition or a hunch to make decisions - this vague reason is also why most traders lose. The market is unforgiving - like a river eventually you drown because you cannot reach the shore (or refuse to exit accordingly to your rules - targets and stops).

How do you make decisions to enter the market?

The majority of traders want to know what they will do once the statistics about unemployment in the USA are announced, for example, a long time before these statistics are published. Hence they end up oscillating mentally, weighing up criteria, ordering their calculations, anxious to make sure that they will make the perfect decision.

The sole and best way of making a decision, at least in the field of trading, is to make it at the last moment. Why? Because our brain is at least one million times more powerful and more rapid than what we think. Remember that Kasparov, the World's

Chess Champion, beat a computer that calculates 1 billion possibilities per second.

So, in reality, we only need one billionth of a fraction of a second to make a decision.

The later we make it, the less influenced by analyses, rumors and figures our brain will be.

I will give you an example:

Here is a trader who has short sold wheat. Suppose that the weather has turned wet and suddenly the price of wheat starts to go up. Does this mean that the decision of the trader was not good? Of course, no! The market simply has not accepted it. That need be no obstacle. The trader has to take the loss as soon as possible and then take a position that is in the direction of the train.

Not fearing to make mistakes is one of the qualities of a good trader, but this quality must be on par with the quality of recognizing, as soon as possible, that one is against the market trend.

As a conclusion, we can say that the art of trading consists in sufficiently liberating our mind in order to reach the level where we know exactly what we have to do long before our brain has understood what is happening.

How do you prepare to enter a position?

Let's start with a story:

You are in front of the NASDAQ chart. Recently it has been going up gently but steadily. You wonder what to do: buy, sell or wait. Things can flare up but you want to enter into the spirit of the game.

Before you make any decision, you have to ask yourself: how is my mood today? Why?

Because the decision you are about to make is closely linked to the personal interpretation you think you have of the chart and this interpretation is not objective at all: we do not see things as **they** are but as **we** are.

In other words, you will generally bull the market if you are in good spirits and you will bear it if your spirits are low.

If you have had a quarrel with your wife and are annoyed with yourself because of that, you will choose a losing position to punish yourself. Similarly if you are disturbed by a noise or if you need to be alone, you will choose a position against the market and you will lose.

On the other hand, if you have heard some good news, your position will be winning, etc. You have to be vigilant to all these things which look insignificant, as some of them can unconsciously disturb your intuition, your lucidity and therefore increase the risk of error.

Therefore the first thing we must think of before we start trading is precisely not to think too much. We must liberate our mind. This is very difficult, I must admit, but it is a key-quality in order to be excellent in this field.

I want to go deeply into this issue because it seems very important to me.

Here is an example. One day in the morning, as I was crossing the road to the office, a taxi narrowly missed knocking me down. I jumped to the sidewalk and continued on my way. I had the choice between saying «you bastard!! » and «Great! I still have good reflexes!!! ».

If I choose the first reaction, it is obvious that I will have little chance of putting in a judicious order. Why? Because I have emitted a negative energy by thinking « you bastard!! ». This negative energy will come back to me, no doubt about it! Believe it or not! If I choose the second reaction, I am practically sure to put in a pertinent order. Why? Because I have congratulated myself on my agility. The positive feeling I have had towards myself will also come back to me.

Therefore the performance of the trader never depends on what happens in the market but on what he feels when he is putting in orders and on his personal interpretation of what he sees on the market.

The question becomes as simple as this: how to interpret rightly what we feel when we look at the chart of Stock Exchange indices?

In other words, how to be the best trader of the world?

The answer is simple too: by liberating our mind of all thoughts, forecasts and intuitions. The World's Trading Champion never thinks that, never feels that, never foresees that... The World's Trading Champion simply listens to what his body is telling him. His body has access to Knowledge for reasons I do not know.

We become ready to face the other traders when we are connected with ourselves and when our mind is liberated.

You are in front of your screen. Your posture is comfortable and peaceful. The charts of the dollar, oil and Stock Exchange indices pass before your eyes. Different ideas cross your mind. Some are aggressive, others happy, disturbing or pleasant; but you do not pay attention to them. You do not become stiff, you do not react, and you do not care about them. You are simply seated and you watch.

The most fundamental form of trading is pure attention: observing without clinging, without getting attached and without judging. Observing the upward and downward movement of quotations and listening to the emotions, to the worries and dialogues hidden behind these figures and charts.

At this time you are in the depth of the present. With practice, you will manage to have access to a part of the universal knowledge and trading will no longer have any importance whatsoever because you will be in another dimension...

Then you go back to the emotional/mental level; and in order to decide whether to buy or sell, you will try to remember all what you have received at the meditative state.

Be humble and content yourself with the role of a witness of what is taking place in the market. Do not be tempted like some great traders who are more concerned with being operators on the markets than making profits.

This is my personal way of trading. I reveal it to you as one would betray a secret. By using it regularly, you will learn to think less and therefore to feel more, which is the very essence of communication with the self.

You pay a lot of attention to being physically fit. How do you manage to achieve it?

In fact, this means getting reconciled with one's body. And - this is an important remark - it is never too late to start this process. Here is what the body needs: a balanced diet and a regular physical activity. This is all and it's quite something.

There are good books about diet and physical activities. So I will only give elements that seem important to me. As you improve your diet, your trader's instinct becomes finer. Do not

eat just any sandwich that you come across under the pretext that you have to watch the screens. For the majority of traders, eating means gulping down food as quickly as possible without taking time to enjoy what they are eating.

Consider a meal as a sacred moment. Suppose that you only have 10 minutes for eating, so devote all this time to your body. Be present in what you eat. This is the opportunity for you to show respect for your body. Do not eat if you feel tense or irritated. Keep in mind that the relation you have with food reflects your relation with your body and, therefore, with the financial market.

If you really make these efforts, you will quickly notice a clear improvement in your performance as a trader.

As soon as we start to have the simple intention of respecting our body, an extraordinary phenomenon takes place: we become stronger in many fields at once. We start to feel the intimate tie that exists between us and the Universe.

Concerning physical activity, it is similarly essential for the body... and the mind. Here is the main principle about it: a little from something is better than a lot from nothing. This principle is valid for trading as well as for physical exercise. We are almost sure to improve when we decide to make one step at a time but in a regular way.

Here is an idea of my daily physical exercises:

I have got myself organized in order to go on foot to and from the office. I start every morning by doing some exercises for the arms, the neck, the shoulder and the feet before I switch on the screens. This does not take more than two minutes. Every hour approximately, I stand up and stretch. When you stretch, the muscles get numb and this prevents the forming of energy knots.

When I look at the screens but fail to have any particular ideas, I stand up and do some exercises. Then I get seated and the idea comes by itself as if it was already there but something was preventing it from appearing. I have quickly understood that stretching reduces my tensions and fears at the moment of decision-making, feelings of which I am more or less conscious.

Since I spend a lot of time seated in my chair, I apply myself to paying attention to my position every two hours. We have to avoid putting in orders when we are slumped in our chair. Our body requests that we keep in a dignified position as long as possible.

I have got myself organized in order to have a sport activity at least once a week. I love my body and I congratulate myself on being able to communicate with it. What about you? What do you blame it for? Nothing! There is nothing you can reproach it for. This is the fundamental basis of the respect for your body.

Many traders forget about the importance of being physically and mentally fit. They spend hours in front of the screens, smoke cigarettes and are not physically active. These diminishes their intellectual capability and their results, don't they?

Very few traders conscientiously take care of their body. The majority of them think that it is the brain or the intellect that decides what orders to put in. They neglect their body, eat and drink anything at any time without realizing that they no longer have a physical activity.

Seated in front of their screens, they forget their body... and end up going out of sync. We must consider our body as the most important thing for us. We cannot be connected with others if we are not in harmony with our body. How could you get a good inspiration about any market whatsoever if your body is out of sync with yourself and with the rest of the orchestra? Of course, you cannot.

Our body is the musical instrument that allows us to receive, to emit and to be connected. We have to consider it as an extraordinary gift at every moment. It is this everyday awareness that will develop the conviction in us and the unshakable force of taking care of it.

Yes, there are great traders who do not have a healthy relation with their body. They are sprawled on their chair all day long, in front of their screen, with bottles of beer and McDonald's leftovers scattered around their desk, badly shaven, half

asleep and uncomfortable. They are excellent on the markets but very mediocre in their everyday and family life. What is the use of making money all day long if one would let the quality of one's human relations deteriorate?

To be an exceptional trader means in the first place to have an exceptional relation with one's instinct. It is precisely the relation we have with our body that allows us to improve this link. If you want to be a professional trader, you must start by facing your sole and real partner: your body! What kind of relation do you have with your body? Do you like it? Do you have something against it? Are you proud of it?

The antenna of a trader is his body. It is therefore primordial that he keeps it in the best possible state.

What do you have to do exactly?

Start by realizing once and for all that your body is a loyal friend and that it will stay with you until the end!

This seems trivial but by simply thinking about it from time to time, we imperceptibly start to take particular care of our body. Have you ever heard or read the expression "entering one's body"? Do you know what this means? And do you perceive the importance of this concept in the performance of a trader?

Can you explain what do you mean by "entering one's body"?

«Entering one's body» means entering in one's present. This means feeling all the messages that our body, our soul and our mind are transmitting to us; listening to what we are living at this very present time; listening to what is happening to us at this very second.

The mind is not away and the body is here!

We are not in our body when we think about what we have to do or what we have done. We are in our body when we do not think, but feel!

However, in 24 hours, we are in our body only less than five minutes because the mind quickly breaks loose. We think instead of listening to ourselves, instead of feeling, instead of living.

You will certainly find this philosophical, but take it from me... This is an essential key if you want to create and develop in you this instinct that makes the great traders.

When you take time to listen to your body, you are obliged to accept it. When you accept your body, you start to accept yourself. And obviously, when you accept yourself, your instinct starts to talk to you. We shall later see that this is simply primordial for succeeding.

An average trader is a trader who is no longer in touch with his physical dimension, with the matter-of-fact aspect of himself or with his intuitive dimension.

A good trader touches the trees and the plants, looks at his body, to the sky and smells the perfume of life. He takes time over admiring the wrath of the sea and the smile of the sun.

Sometimes, we need only to sit on the ground in a garden, to touch the grass and to stop thinking in order to speculate on coffee, gold or wheat.

We get prepared to receive and we do receive.

As you can see, this is a very strange way of taking positions on financial markets. With practice, you will understand why I have said that trading is one of the most beautiful jobs in the world. It is a job where one does not think, nor calculate or analyze. It is a job where we do certainly not listen to our brain, but only to our body. This is an unusual behavior that we have to get used to… A new form of reflection, where, precisely, every reflection disappears.

Here is an idea that I invite you to reflect on:

Our body is bound to the same laws as planets and stars. It has direct access to universal knowledge. It is our teacher… if we accept to listen to it and respect it.

What does the punctual knowledge of the trend of coffee or the CAC40 index at a given day mean to it? A speck of dust in a desert of sand.

We only need to be properly connected, don't we?

Do you think automation of strategy is a good direction of development?

Yes, absolutely. Most traders really have little clue what is real or not. Charts, indicator marks and other values appear and disappear while the bar is being formed. This often gives the false illusion that a trade could be made with a visible target and stop, but in reality the vibration of price movement can be equated to the magician where the hand is quicker than the eye.

Additionally, it is my experience that many good or successful traders cannot tell you adequately what they do or why ? Because of intuition and experience many concepts cannot be enveloped into words that are quantifiable. In other words, the rules change due to discretion.

So a trader who takes the time to attempt to quantify and trap their actions in reality will have a greater expectation as to the achievable targets and stops as well as the ability to tune the strategy to a great level to control overall risk. Even if they wish to continue to trade manually the exercise is enlightening to say the least.

In which direction will the currencies market develop in your opinion? Will it head towards automatic strategies?

Currencies yes. Whereas FX or currency-pairs will need more time. Currently, trading FX is a huge challenge. There is no centralized market, there are many market makers. Volume

does not exist, though you can potentially see volume by adding data to the underlying currencies but this is far from sufficient to value volume as a trade component. Until this becomes regulated and more centralized, it is risky. On a daily basis where you can step above the vibrations and find footing on the slippage automation is a reality. Intra-day or HFT is very risky. You have to know your broker and observe the patterns.

Does trading with an automated strategy require discipline? Are there any psychological problems for traders in this matter?

Oddly enough many people think that automation takes care of it all. But it does not. It is easy to second guess expectation if the market reacts against your back-tested methodology. For this reason many designers of automatic systems are not allowed to control the trading. Expectation is built on as series of trades. Where you still have to see the forest for the trees and not one tree that has fallen.

Automation has to be watched because of the complexities. You cannot just leave it alone or walk away.

What percentage of trading orders is executed using automated systems nowadays?

Not sure of the overall market. However all the serious players need to be automated these day. If only to take advantage of the computer power which in an instant (or two) can balance out portfolios and risk. Automation can greatly help with strategic allocations, rebalancing, help to lower

drawdowns and as well as length of time of recovery periods. It is all about controlling the risk

What should a good automated system look like?

I do not know if there is one right answer to this question. However, the market is ever changing, what was true could be gone in an instant, and take years to come back to similar volume. The big players make the market. When Bearn Sterns and Lehman Bros left, the market radically changed in respect of liquidity. Strategies would need to be dynamic so to speak to turn off and on when markets change.

For us a good automated strategy is consistently profitable with low risk (usually between 7-12%) over 10 years and in most cases consisting of a sampling of 400 to 800 trades. This strategy has to be able to run in all market conditions and where by design the strategy turns itself off and often will wait days into months at times for the right conditions to trigger a new trade. Target and stop have a predetermined expectation to control

risk but are allowed to contract and expand dynamically to take advantage of the current market conditions.

From a portfolio standpoint these features combined with blending diverse non-correlated instruments and strategies give strength to the overall end result. However each strategy and instrument has to perform together well on their own to be valued in the collection.

Your COG system became famous in France as well as in many countries. Could you describe it?

The Centre of Gravity is a mean reversion type system that in scale can also expose breakouts or momentum trends.

Defining the market is the first step in building an expectation for a trade. The bands offer a moving or dynamic view of price in relation to the past by taking into account the extremes of a previous series of data bars to generate a mean, levels of entry and exit and also a trend.

As far as I understand you used COG with certain parameters for bands, giving you a strong statistical edge – could you describe the reason behind your values?

Even a car needs to be tuned, so it is true with the COG, in its natural state or default settings we have tested it on hundreds of instruments and even more intervals per instrument to find that a 180 setting is the most optimum.

However, as markets change or news is released the indicator needs time to absorb these changes, so it is not uncommon to adjust the length to capture unique extremes or to increase or decrease the band ratios from the centre to tune the bands to the swing pivots, which have their own pulse or timing.

The key is to be able to trade the COG based on your ability to afford stops or to tune it to a risk level that is affordable. To say it another way, we tune the COG to find a strong entry and

to define a clear stop price level. The target is often the last point of concern as it is more dynamic.

Are these values different for different instruments (currencies, gold, indices)?

Yes, each has its own expectation based on interval, time of day and the major players in that market.

Could you describe your timing indicator?

It is no mystery that the market repeats swings often in measured cycles. The mystery is why? Because impulses are often a by-product of masterfully coded computer trading.

Since at least at this moment, computers do not act like normal humans, the patterns repeat for so many measures often in multiples of previous swings. The timing indicator assists in quantifying the measure, but not the impulse so that our traders can time exits and entries to trades.

Did you have any strict rules to exit a trade?

All strategies are designed around a predetermined expectation. You cannot override your rules with emotion or indecision. The market does not care. The old rule to "exit your losers fast and ride your winners" has not changed. But there are many ways to determine what is a winner and when you are in a loser. The key is to stick to the plan and plan to be able to fight another day.

As far as I know you dropped it and now you are trading a different one based on order flow. It is a bit shocking when you say:

> "All this gear is useless. Throw it in the trash. To say and write it more clearly the technical and graphical analysis is dead. Yes, it did helped me to win titles, to write papers that were controversial, to often take winning positions. It allowed me to end up where I am today. However, today it is becoming more of a handicap rather than an advantage"

Could you explain this further to us?

The key is to trap the data that fleets or disappears in an instant like smoke. Unfortunately, you cannot back-test order flow in the same way one would data on charts since Order Flow is a series of interest or sentiment at the moment. This alone makes those who depend on fixed data alone at a disadvantage as opposed to those who have the means to collect this data - and to manipulate it as well.

Today you trade with quite a different system, could you describe its principles to us?

Price can move with one trader buying one contract. This trade looks the same if 1000 or 10000 contracts were traded. In order to have a trade you need two parties, a buyer and a seller.

In order to get in a trade and out with a profit the market needs to be liquid. Using the extreme example that I just painted, if

you see order flow, you can maintain a statistical edge that your trade will have less slippage entering and exiting, because the volume is building. This alone, entering say on a limit or with high volume - or little or no slippage and exiting on a limit with little or no slippage will provide 2 extra ticks. This is the foundation of the theory and the system.

The most impressive part of your short lecture on "Belkhayate Order Flow Trading System" for me was that the price is a lagging indicator to order flow. Can you elaborate on this?

Order Flow is the smoke before the fire, you may smell it and even see glimmers of it, but unlike price which is very visual, Order Flow is visceral and fleeting, it surrounds price until a spark of movement starts the birth of a trend.

What exactly are you looking for when you want to "foresee the future"?

We look for consistent Order Flow patterns that eventually convert to real volume. Order flow has many disguises, it is important to see how the mask comes off when trades are finally executed. In this way you can see more clearly - that day the seed from the chaff in the order flow.

Additional questions

What are the cardinal rules of trading according to you.

Plan the trade, trade the plan. Define the market.

What are your principles for Money Management?

We have been able to achieve drawdowns of less than 2% at times. However, 10% drawdown is optimum when back-testing. Position sizing in key, however for one to take advantage of this, it is my opinion that you need build a strategy that has consistent returns before even considering advanced concepts like this. However, there are many methods that speak differently and are very good, this is just my experience.

What would you advise in this matter to a beginning trader?

To read about sequential patterns - there are many on roulette that will help the beginner to understand these concepts.

What would you suggest in this area to a seasoned trader or investor?

I would suggest nothing really. Having listened and read writings on many forums it seems most all the "true" seasoned traders believe that they already know what to do.

There are so many different ways to do the same thing, let's hope that the seasoned trader has already found a method and a comfort zone that is successful.

What do you think is the role of discipline in trading? Do you have any daily routines with a trading plan you follow?

Self-discipline is paramount. I believe that I answered this in a previous question, however I'll offer a synopsis.

Trading is all about following rules. These are rules that you wrote when your mind was clear and you are not in a trade. There is no room for emotion or second guessing yourself.

Discipline is rewarding on the financial market; but it is quite difficult to develop this rigor and constancy in front of a continuously moving market.

Stop here and ask yourself: am I a disciplined trader?

If the answer is no, then you are already halfway… to becoming that disciplined trader. We will later see how to cover the remaining distance to the goal.

If your answer is yes, I will take the liberty to ask one more question: "Does it happen to you, even if very rarely… maybe

only once in one hundred times, that you break this rule and act in an undisciplined way… to get your aim right?"

I think it does and in this case you are not a disciplined trader. And your trading method is more dangerous than that of an undisciplined trader as we shall see.

The notion of discipline is an integral one: either you are disciplined or not disciplined at all.

Let's take the example of cigarettes. I often hear people say that they are non-smokers but may smoke a cigarette once in

a while. Can these people claim to be non-smokers? Of course they cannot. Rather they are occasional smokers.

Someone says that she never drinks alcohol and then she adds "except, of course, on New Year's Day or during parties with friends".

These definitions are of paramount importance because man acts according to the definitions he has made for himself.

A trader who thinks he is disciplined but is not in reality will one day, in no more than 2 minutes, make a disastrous spread that will swallow all the profits he has made during one year.

The trader should, from the beginning, determine his objective and the invalidation point that will question his plan. Then he should trade following this plan and never amend it before

realizing his objective; otherwise he will never have a rigorous method.

Many traders point out that being responsible for oneself and one's decisions are one of the most important traits of a good trader. What's your opinion on that?

When it comes to managing money, be it within the frame of the finances of an enterprise or a stock exchange investment, responsibility takes on utmost importance.

Before making any decision, a trader should absolutely instil into his mind him that he is entirely and undisputedly responsible for whatever will happen to him during his foreign exchange, purchase or sale operations.

In Morocco in particular, only few people like to take an individual responsibility upon themselves. We readily hide behind a commission, a committee or a section the function of which is precisely to make senior executives non-accountable. Learning to take upon ourselves our individual responsibility is the key to our professional success and beyond that.

When you switch on your computer in the morning, and before sitting down, get into the habit of realizing that it is you that will create what will happen to you and that it is you that will cause your losses or make your profits.

If you find yourself in a losing position, neither the Internet connection, nor the wrong analysis of your colleague or, still less, your broker will be to blame. Before placing an order, you should first accept that you are the only one wholly responsible for this act.

I have too often seen responsibilities attenuated in trading rooms, making every one feel he is blameless when the trade is bad and the hero when it is very lucrative. This I-am-not-to-blame spirit is no peculiarity of the trading rooms. Open your eyes and you will find it everywhere: one is complaining that

his newspaper has published false closing prices, that his broker has not well informed him or has not informed him at all about the expiration date of his options, and another is hiding behind the sudden and unfortunate slowdown of the online trading station, etc.

The only one to blame when you lose money is yourself. No excuse will be valid, not even bad luck.

I have even heard something really unbelievable. One day, a person told me: «The stock slumped sharply in one day. Of course I was at work, not in front of my computer. It was only in the evening that I noted the disaster. If only I were there at the opening… I would have immediately closed the position… but unfortunately I had to go to work… I can't be at two places at once".

Is it not stupefying that one can be so unaware of one's irresponsibility of a fact which, when all's said and done, is very serious? Investing one's own money or that of a firm which trusts you on the tumultuous universe of the stock market is not minor. It is very serious. It is up to you to check everything before acting, because as soon as the decision has been made, you will be wholly responsible for whatever will happen.

If some tourism professionals complain that the tension caused by the war in Iraq is damaging their business, if some of them blame Bush and others Saddam for their misfortune, it is because they have not foreseen everything. They should have

bought gold, for example, to hedge against the risk they are grousing about now. This is called the cross hedge: in case of war, their profits on gold would compensate for the loss of their customers and, in case the conflict is quickly settled, they would be happy of not using their "gold-insurance", if I may venture to say so.

Would you hope to have an accident on the pretext that you have paid insurance? Insurance is paid to protect you… precisely against the unforeseen.

As you start to see, this notion of responsibility is essential for a trader. He should always structure his position in such a way as to be ready for any unforeseen fact he would use to justify some gaffe or other.

The trader should always be aware that it is his responsibility to check, foresee, and analyze before doing anything, because as soon as he has acted, he has become wholly responsible for whatever will happen.

What would you like to say at the end to present and future generations of traders?

The most efficient means for making money is giving it. We do not give in order to receive but in order to be in harmony with the financial flow and contribute to its circulation. This flow, in turn, never forgets us. (George Soros, one of the most impressive traders history has ever known, donates about 100 million dollars each year).

When we give money, no matter what the sum is, we lift the internal obstacles created by the fear of lack and we let our river of abundance flow freely.

The same holds good when we accept to receive and therefore to take the profits offered by the market. The majority of traders do not understand that they have to collect the small gains they make because they signal that more important profits are coming. One must have experienced this law many times to believe in it.

Our « good manners », timidity, modesty or politeness often make us refuse a gift, an offering or simply a chance. This is a big mistake. Refusing something that is offered to you means blocking Providence. We have to know how to welcome whatever is offered to us, be it a material good or a feeling

someone has towards us and always bear in mind that we are simply a bridge the mission of which is to convey in good conditions whatever is passing.

When you are offered a cake, a free ticket for a show or a small profit on the CAC40, never say no! Take it and thank the donor, the providence, the market... What you have just taken announces a coming (material or non-material) abundance that you will obviously have to redistribute in a good way later.

As you start to see, trading is not only a matter of performance. It is a whole. One has to be attentive to the signs and believe in them in order to let oneself get connected with Nature, with the affective and emotional state of other traders.

A good trader is a man (or a woman) who is humble enough to admit that he or she is simply a bridge, a passageway. The art of trading consists in knowing the opportune moment for harmoniously merging the rivers we are in charge of into the foaming rivers of the financial universe.

Why success in trading is so difficult for many people to achieve?

Trading is an activity that has the peculiarity of creating its laws as and when required. The trader must take them or leave them, he has no other choice. He must not go to the markets in order to challenge them or try an intuition or an idea and see what would come of it, because trading is not a game. Trading is an art, the art of combat.

Trading is an art that respects itself like a martial art for example. If you have a weak point, you cannot ignore it or pretend that it does not exist. *You have to fight against the weak points rather than develop the strong ones.*

Many excellent traders went to ruin and never managed to get over it although they used to be "genius" in their field. Some of them have neglected their weak point which is their real professional motivation while the Achilles' heel of the others was their passion for gambling according to the strictest definition of the term.

A complete and balanced training of the body, spirit and emotions is necessary in order to succeed in this profession. It is

certainly not just a matter of stock exchange techniques and tactics... It is far more serious than that!

Look at the professionals: they all use almost the same software for technical analysis, the same sources of information; they have had the same education and generally have the same level in the technical and strategic field. The difference lies only in the depth of their psychological analysis of the market and the ties they have with themselves.

The sole and real opponent of the trader is his own person.

When he loses, it is he that has caused this loss, not the market. Here is a sentence that might seem obvious to you but only very few traders are aware of it. The majority think that when

they win, it is thanks to their genius and when they lose it is because of the market. The market is never wrong; because it simply reflects what is happening.

Are you sure you are ready to commit yourself to this process? Are you ready to question some of your principles regarding money, gambling and pride, etc.? Do not tell me to give you only techniques and that you will manage to get the rest by yourself. You can find these techniques everywhere: in books, on Internet sites, in schools, etc.

Do you have any regrets regarding your career path as a trader?

I am happy with the luck I had in my trading career but today if I have to give one and only one advice to beginners I would say markets are now even more unpredictable because you fight against machines and powerful computers.

Technical analysis is now almost dead, we should focus on less than 5 minutes time frame and trade only in time channels where we have volume and avoid all other situations.

It is difficult to recognize that technical analysis and charting are losing a lot of prestige but the reality cannot be hidden.

The best trader in the future will be the trader who takes between 1 to 3 ticks per trade with appropriate, quite heavy position sizing.

So future belongs to scalping...

Definitely. The future of trading belongs to scalping. Every day I see one of the best traders in the world trading in Dubai next to me, his name is Vincent. He is making an incredible 1000% per year with less than 2% drawdown!

Amazing....

Only scalping through Tape Reading can allow for this performance.

Inspiring results... And he uses only volume?

Yes. He trades only correction, enters at the end of an impulse. In Dubai Trading Arcade he is the only one who finishes positive every day, between 30 000 to 50 000 USD per day. He came to Dubai 3 years ago with 200 000, now he is managing 9 million.

He uses only one indicator - Belkhayate Gravity Center in 1 minute time frame.

This indicator - Belkhayate Gravity Center is amazing, I saw people using it with excellent results. As I understand he waits for the signal from BGC and waits for confirmation from volume?

Exactly. Signal from BGC, and then volume.

So essentially trading with your new approach relies on watching BGC lines but this time not on price charts but on volume (order board)?

Exactly.

So you anticipate the next price move looking at fluctuations in bid/ask orders. Volume shows price direction in next couple of moments?

Yes. Additionally you should master recognizing the iceberg orders and spoof orders.

For example right now I have a buy signal on crude oil and a sell signal on ES.

Now? At this moment?

Yes, according to the bid and ask volume behavior.

How long do you hold a position? A position like now.

Less than one minute on average. I am aiming for 1 to 3 ticks with significant position size. Sometimes you can hold a position longer, it depends on the market situation.

Iceberg orders are large orders divided to small ones in order to hide their big volume, correct?

Yes.

And spoof orders?

Spoof orders are used to manipulate the perception - fake large orders cancelled when other traders will join them.

Do you have a special platform for this?

Yes, we have a private platform.

Right now there is a signal to buy NG and sell ZN. It's like clockwork. We track 20 markets.

I have three trader teams, one here in Dubai, others in Marrakech and Geneva.

Do you plan to share this technology with other traders or do you prefer a closed fund?

Probably we will continue operating as a closed fund.

Can you give us a description of your newest project in Dubai? This gold treasury?

We're talking about a completely new initiative in the market. It's a gold reserve sukuk.

Sukuk is a certificate, a bond claiming that someone is the owner of a certain amount of physical gold stored under the control of the authorities that guarantee it's safety and reliability.

Sukuk guarantees the full ownership of gold and enables investors to hold it outside of the traditional banking system.

This instrument gives you great flexibility and convenience. You don't have to worry about transport or storage, the gold is safe and available on demand.

You can trade your gold through Nasdaq Dubai or you can request physical delivery at your doorstep by a reliable carrier.

What's the most important is that it's an asset-backed sukuk, not asset based. This means that each certificate is equivalent of a certain amount of physical, touchable gold.

To be compliant with the Sharia law, each certificate of ownership has full backing in gold. This mean it's asset-backed. Currently it's the only product of that kind in the market.

As a listed security the sukuk is available for purchase on Nasdaq in Dubai. It is regulated by Dubai Financial Services Authority (DFSA) as a structured product. Of course you can also sell sukuk there.

For potential customers that means the ability to diversify their portfolio, but also securing riches for the future generations. Some experts believe that gold should be 10-12% of every portfolio, serving as a natural hedge.

We also want to increase the amount of gold in Muslim countries. According to the statistics there is only 3 to 4 percent of the world's gold in the Middle East held as reserves. We want to change these numbers because the economic power of the region is much greater.

Physical gold has maintained its value throughout the ages. Unlike paper money, physical gold is the only currency that is unprintable at will, thus excluding any promise of interest rates.

In uncertain times gold is treated as a safe haven, safe investment, hence it's huge popularity.

We have signals that many governments are currently increasing their reserves in gold.

What amount of gold are you prepared to store?

The target amount is few thousand tonnes.

Taking into account the transparency of transactions, strict compliance with the Sharia law and the convenience offered by sukuk, you can significantly change the conditions of gold trading. Today the number of gold futures exceeds the amount of physical metal many fold.

Thanks to our product you are sure that you own physical, tangible gold. You can sell it at any time and if you order by delivery, Brink company will deliver it to the address indicated by you.

Thank you for the conversation.

Conversation with Gavin Holmes

In 2002 was when Gavin Holmes had the good fortune of meeting Tom Williams, a former syndicate trader who traded with one of the largest stock trading funds in America during the late 1950's and early 1960'S. Tom immediately connected with Gavin, and it was from that point Tom began teaching Gavin that the markets were being manipulated on a daily basis by the 'Smart Money'. Tom was himself a 'Smart Money' insider, and he had developed a trading system that could see the activity of the 'Smart Money' as they were manipulating the markets by observing the interrelationship between volume, price action, and the closing price on a price chart. Tom developed the methodology called Volume Spread Analysis and computerized his system with amazing results. Gavin became Tom's protégé and over the last 9 years Gavin has become recognized as a worldwide expert in the Volume Spread Analysis methodology and market manipulation.

Just this year, Gavin self-published his own book series called, "Trading in the Shadow of the Smart Money" and "Trading in the Shadow of the Smart Money Volume 2: Sequential VSA Chart Patterns Explained". In "Trading in the Shadow of the Smart Money" Gavin discusses why market manipulation can actually be a good thing for traders and investors who can read the chart correctly based on universal laws.

Gavin has been featured as a headline speaker at numerous seminars and webinars around the world. He has provided educational courses for the CME Group in Chicago and has been featured at the New York and Las Vegas traders expo's Traders Challenge where Gavin traded his live account, showing the principles of VSA appearing live and taking trades.

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The first question. When and in what circumstances have you for the first time considered that trading was something worth trying?

It was probably 10 years ago. After I've been working with Tom (Tom Williams) for about 12 months. My initial interest was in running the business rather than actually trading because there was a big market for trading software which is what Tom had developed. Being an entrepreneur I felt there was a way to make money from selling the software without even having to trade. However, after spending time with Tom and watching him consistently making profits I realized that this is something that I wanted to do and I decided I was going to learn it. But I realized right at the beginning: you have to put the time in. Just like if you're playing a game of golf. If you want to be a good golfer, you have to put the time in.

Could you describe your first system?

Yes. I was using Volume Spread Analysis. It is what I still use. However, I did spend initially when I first met Tom, some time reading many books on technical analysis. On stochastics and

moving averages. I've never used them and in fact Tom picked up the books when he saw them and threw them in the bin. It's true. I was trying to impress and I walked in with three books on trading using stochastics and moving averages. He looked at them and said "Why do you have these?" and he put them into the bin.

It was quite a shock for you?

Well I realized then that Tom knew what he was talking about. He made a lot of money. He was a wealthy man and never used a stochastic. He never used a moving average in his life nor did any of the people in his trading syndicate. They use volume.

My first system was Volume Spread Analysis and it still is today.

If you initially lost, what caused you to stay in the game?

My first trade that I ever took was with Tom and ironically I lost $600 on the trade. I would never forget it. I saw a signal called the end of a rising market. It is a strong sign of weakness. Without hesitating I just went short. Now, Tom said: "As the market moves sideways you got to be very careful that we do not see an upthrust". So sure enough what happened the market shot up, stopped me out and I was absolutely distraught. I said this does not work. This system does not work. I said it can't work. He said the system is not wrong, Gavin look at the next signal coming you have to go back into the market now because you're going to see confirmation of that signal

that you just saw. Lo and behold, the market dropped nearly 7 points. I was not short at that time because I was still fearful of the trade that I just made and it was a big learning lesson for me. That sometimes you have to time the trade and sometimes you're not going to be always right. The one thing I did do is that I only lost 2% of the account in that trade and I never lost more than 2% of my account in any one trade.

So I was able to get back into a position the next day. Not only make that money back but also make some more. I learned: don't always worry if you get stopped out. If you are convinced that the market is weak then go back in. Again, if the market looks strong and you want to go long. If you time it wrong and you get stopped out, don't be fearful to get back in because you're probably going to be right. There's nothing worse than sitting and watching the market going in the direction that you would've been trading and you're not in it. It is very frustrating.

Did you use experienced periods of hesitation when you want to leave this field of trading?

Never. I never had that feeling. Mainly because I had Tom with me consistently. So I had a mentor who consistently encouraged me when things did go occasionally wrong. Secondly, I began to see quite quickly some good results on the accounts that I was trading. But most importantly I met people who had been working with Tom for 20 years before I met him. The people who were close to Tom were all very

consistently making money. I knew that if they could do it then I could do it. I just knew that I had to persevere.

Okay, I understand. Did you have a system for tracking your performance?

Yes, always.

Always? Could you describe it?

Yes, it is a very simple thing. Each trade that I took at the end of each day I put into a spreadsheet. It was just a simple Excel spreadsheet. It was very straightforward. Also what I do is take a screen-shot of the chart that I've traded. I actually take a screenshot. I show where I went in and where I came out. What was my P&L. Where did I make profit on in the trade. Did I lose? Did I get stopped out?

I was able at the end of each week to show Tom the trades that did not work for me when I was not with him and the ones that did work. That was my biggest learning curve. In fact that's how I developed my trading plan.

Did you have a high level of stress when you started? How did you cope with it? What worked for you?

I would not say that I was stressed. That would be the wrong description. I was impatient because I am an entrepreneur so I am an impatient person. With trading, patience is absolutely vital. I had to learn to be patient. I also made sure that any

money that I had in the market I could afford to lose. Even if it was a small account.

I was very lucky at the time and I still am lucky because I have multiple income streams. I don't just rely on trading money. Whereas a lot of traders they have to trade, that is their income stream. I had about... At the time that I started I had about 12 different companies. Yes, 12 companies running around the world with different income streams. I already knew that if I lost some money trading it wasn't going to affect my lifestyle that much. So I was not attached to the money once it was in the market and I think that is very important.

Is there a trader, teacher or mentor that you remember having being particularly influential?

<Laughter> Well you know the answer to that?

Yes I know but still I must ask.

It was Tom Williams and later on in my career it was David Weis. He has been very influential in my trading.

Could you say something about Tom?

Yes. He started trading back in the late 1970s as what we call a syndicate trader or insider. The syndicates were very private. They never told anyone what they were doing. He was based in Beverly Hills, California and he started his career not as a trader but as a registered nurse. Yes, as a registered nurse of all

things. A state registered nurse. He always wanted to help people. So when he was in his early twenties he realized something. He lived in England and he said to himself that he wanted to make a lot of money and wanted to be a millionaire. His logic was that I need to go where the money is because that is where you going to make money. In those days certainly in the 70s and even today Beverly Hills, California is a place where the money was. Tom got some money together and went to Beverly Hills. When he arrived he registered with an agency as a nurse. One of his first contracts was with a gentleman who ran the syndicate who will remain nameless for the purpose of this publication. Tom became his minder. I mean that medically speaking because he had a drug problem. He was addicted to painkillers but the problem was his family was very worried about this because he was trading millions of dollars each week and he was the head of the household so they couldn't have him high on drugs.

As Tom became friends with this guy, he was allowed into the syndicate to see what they were doing. Tom would be sitting there during the day not doing anything so the guys at the syndicate who worked there asked him if he was any good at drawing. Tom said yes I'm pretty good so they gave him a big ruler and a chart. They said we want you to draw trend lines on the charts and that is how he got started. That is how he got started. Yes, he was a nurse drawing trend lines.

Gradually he became very trusted by the small group of traders. They were trading millions and millions of dollars all

those years ago in Hollywood. They would basically give him the charts and say "Tom, can you draw us some trend lines which do definitely work". Tom still uses them today as do I.

Eventually they sent him on a trading course called the Wyckoff course. Which was taught at Park Ridge in Chicago. That is where Tom finally became a full-time trader and a member of the syndicate and he benefited from the trades that they made. He became a millionaire.

What a story.

Well if you want to write on that topic... and this is exactly true. He would sit there in the room doing the charts and some of the Hollywood actors would come in with case full of money, of cash to give to the syndicate to trade. Like Clark Gable who is very famous would walk in with some cash.

<Laughter> That is quite the story.

That is life. That is how it happened. It was a great opportunity for Tom and he retired when he was 40. He left the syndicate, came back to England and he bought a nursing home. He carried on with nursing with all the money that he made. He did not need any money anymore. He did not need it. Even to this day Tom is a very caring person and that is why he helps people with this information. He does not hold it to himself.

Unbelievable story.

Yes. If you write that in the book, people will say that it can't be true but it is absolutely true. It's a great story and it's a really good thing to see how someone changed their life path from a nurse to a trader. Then it also happened to me as a policeman. You can go from a former policeman to trading. It goes to show you that anyone could do this. If they put their mind to it.

You are the proof.

There are plenty of others who out there who are the proof as well. There are lots of people that were very good traders who in previous careers were doing something very mundane or doing something quite normal. One guy who is a customer of ours was once a teacher who turned trader. He loves that he trades now and he makes 10 times the amount that he made each month trading than he did as a teacher. That's how it works.

Yes. What was the most memorable experience from your beginnings?

Probably the most memorable experience for me is when I traded live at the New York Traders Expo. It was five years ago I think it was. I was trading a live account in front of thousands of people on the Internet and in the audience. I then realized that I had become a proper full-time trader and was going to become a fund manager. That is a very difficult thing to do.

Now, trading in front of the audience… In fact trading on your own is difficult with no one watching you. Trading in front of everyone, many of whom have lost money in the market and ensuring that you make money and that you're profitable and you make sure that you make good trades is one of the most difficult things I've ever done in my life. It is more difficult than training to be a policeman or anything but I succeeded and I made a good winning trade. We did very well at the show. It was all there on the chart. I made money. I showed how to trade using VSA and I have done that consistently since in live webinars. So doing the live webinars and live trading in front of an audience is probably the most difficult thing to do.

Did you have an 'aha' moment in which you suddenly understood what you had to do.

Yes, definitely.

Could you describe it? What led up to it? What happened next?

I would tell you what led up to it. My timing with VSA was not as good as it should've been. I began to see that there was a simplicity that I was missing in the charts. The simplicity was the very high volume or ultrahigh volume. It means lots of activity. But then followed very low volume at the same price level. I invented something called the volume spread analysis sequences. Which has now been programmed into several platforms. They are all based on a very simple logic that when professionals are actively selling, they are selling into the up-

price because they are selling high. When they are not interested in buying anymore or higher prices they withdraw all of the bids so you get low volume. It is the exact same at the bottom of the chart, on the buying.

When they start actively buying, you get high volume. Then as the price goes back down to that level, if they are not actively selling because they bought in the background you get low volume. This was 'aha' moment for me knowing that there are sequences in the software when they fired off. When the software gave you three numbers, four numbers in the line within 25 bars then the market was going to turn and it increased my accuracy massively. Because I was now patient. Instead of waiting for just one bar I was waiting for maybe 25 bars to fill in the time frame that I was analyzing. I had to wait longer, be more patient and made more money. And I knew then it was my impatience was what caused me the problems in the first place.

I understand. Was your family supportive of your decision to trade?

They did not have any choice. <Laughter>

Yes. My wife has always been behind me 100%. I think the biggest step forward for me involved my wife when we were actually publishing my first book. She was actively involved in helping me with that because I found it very difficult to do. She kept badgering me, which is probably the best description, every day asking me "Have you written the book, have you

written the book?". Then once that book was written and she began to come to seminars to see all of these people pay a lot of money to see me trade she realized that this is where we were going to make our money and so she been very supportive ever since.

Okay I understand. You are an author of three books?

Well there is a third book coming. I've written two books but there is a third one on its way. The third book has nothing to do with trading.

Could you give us some more details?

About the third book or about the first two?

About the third book.

The third book is all about what we call the law of attraction. I believe this really determines if you are successful or not in life. The law has been around forever. It has been discussed in many scriptures but more recently certainly in the last 6 or 7 years. The whole subject became popular because of the book by the author Rhonda Byrne who wrote a book called The Secret which became widely known in America, Australia and in many countries.

I read that book. Through the power of what I call positive thoughts and positive actions I began to get positive outcomes. I began to study how the human brain interacts

with the environment so the book has got some science behind it. It's now scientifically proven that the human beings are made of energy. We are energy forces. We interact with our environment through our thoughts and through our actions. It is two things: our thoughts and our actions. Well that is exactly what came from trading. I learned that when you are trading you have to think correctly and to take the appropriate actions.

Well if you have a trading plan and you know that you are doing the right things at the right time but I believe that life should have a plan, too. Many people do not have a plan for their life they just live it. But I've written a book that is called Think, Link, Create. Again, it is all about the process of thought connecting with what I call the higher power or higher energy and creating something in your mind. Another word is manifesting it in your environment and it is a bit advanced at the moment but I believe that more and more human beings are being awakened to the spiritual forces that are around them which maybe they have been into in much involved in the past time.

I think we are going through a process of change and a lot of that is coming from the Internet and the way that we are able to connect just as the way I'm talking to you now. It would have been unheard of just 10 years ago. If I would've called you on the phone it would have been 10 pounds a minute to talk and this is free and you sound like you sitting next to me. So I believe

that nothing is impossible at all if you put your mind to it. That is what the book is about. It has come about because of my experience with trading and all of the people that I've met as a result of it.

Thank you. Taking into account your actual experience as a trader. Do you have any suggestions for beginners?

The most important thing that I would say for beginner is that you have accept that you're going to fail at the first hurdle. That is the way the markets are designed. That is what most people struggle with because they think it is easy to trade. They actually almost become gamblers. They think that trading can't be difficult. The market can only do three things it can go up, go down or sideways. They often say to themselves they can't always be wrong. Then they start trading with real money. That is after paper trading and paper trading looks quite easy. They say "Oh, I can make millions!" and they go in there with real money, the emotions take over, the gains take over and your psyche takes over.

The chart never lies. Believe in your ability to do it because like everyone who starts an endeavor, initially it is difficult. It is like one of our British cyclist who just won the Tour de France. It was a major competition in cycling but he practiced and practiced for 15 years for that one accolade of winning that one title. Trading, unfortunately, takes practice. You not going to come to the market in a week or two and start turning $1000 account into $10,000. This is the problem. There are a lot of

people out there who see rubbish with people selling to them. They say "buy our system and you will make $1 million in the first year" and all of this stuff. This is the problem. There will be failures along the way. There is for every great trader I've met. If you believe in yourself and you look at the chart and you only trust the chart. The chart does not lie then you will not go wrong. You must understand volume. Volume is the key to the chart and without it, it is like driving a car without gasoline in the tank. Volume is the energy of the market. If you don't understand the energy of the market, you are not going to trade in harmony with it.

Do you know anyone who lost much? How did that happen? Was it valuable experience for him/her or for you?

I do have a good friend of mine. I do not want to mention his name in this interview but he lost $330,000 in front of a live audience.

A live audience?

Yes, a live audience. He was educating them to trade and he lost over $300,000.

However this particular trader was extremely successful. He made a lot of money in the past. He made one mistake that day. It was greed that took the better of him and he was doubling down on a losing trade. So as he was falling he was adding to the position and it never stopped falling.

I learned from that you should always never lose more than 2.5% of your capital and any one trade. Ever. So in his instance he lost a great deal of money.

The next question is when did you reach the level of consistent gains?

I am trying to think of the exact time. When I really started to actively trade was about eight years ago. I really began to see results probably about 12 months afterwards. I actively had the time to trade. Because I really did not have a lot of time before that. Now I think probably I would say that I did not actively really get into trading my own accounts until eight or nine years ago after I spent a lot of time with Tom. So I saw the results pretty quickly with good results within six months of actively trading. I would put it this way I've never blown an account up. On my worst day of trading I think I lost on seven trades about 5% of the account and that was just really on a bad day because the news came out. Other than that, I am generally speaking, trying always be sure when I'm in more than one trade that I am not risking more than 6% of the entire account. I always have skin in the game which is why if I do have a bad day - all traders have bad days and weeks - I've always got enough money there to keep going when the market turns and there's another opportunity. The preservation of capital is what I learned. It is the most important thing to preserve your capital and the rest will take care of itself and don't be greedy.

Could you describe your biggest win and how did you feel?

It depends upon what account you talking about. I can tell you about the most rewarding one. I was trading in front of the audience with a $5000 account which is what most retail traders have. Publicly we traded a $5000 account and I was doing a mentorship course. Now, this was several years ago and it was one of my first courses that I did. On the final day I was trading live on that account so we put the account and showed it was $5000. Someone asked me if it's realistic to turn a $5000 account into a $10,000 account in say four weeks? I said that I will answer that question at the end of this trading session.

Well we happened to be trading the E-mini futures which is a CME group futures. We were also trading currencies. On this particular day there was a lot of volatility and we saw one of my favorite signals to go short. It was the end of a rising market and then the upthrust. We also saw in the currencies an opportunity to buy. We had a signal which we call bag holding which is a strong sign of strength. I took on these trading session 7 or 8 different trades but at the end of it we made just under $3000 on a $5000 account. That was one of my biggest achievements. I've not ever matched it on an account of that size ever since in one day. It just happened that all the VSA setups were so in harmony and I was only ever risking 2% on any one trade. My risk was a couple hundred dollars on each trade and we made a lot of money.

That was probably my most rewarding trade that I have done because it was public and it was recorded. People could see

it. They could see that in certain circumstances you can make $3000 a day in an account size of $5000. You can do it as long the setups are there. And on that day they were.

I understand. The next is: question could is can you describe your biggest mistake? What lesson did that experience teach you?

My biggest mistake in trading was always getting in too quickly and trying to trade too many things at once. I do not do that anymore. My two biggest mistakes were: lack of patience in the beginning, not waiting for the actual setup because I could not sit and look at the computer for two hours without being in the market is what I thought. It was a failure. I identified that early on in my trading. The second mistake is that I was always trying to look at too many charts. Sometimes I was looking at 20 different instruments.

Twenty?

Yes. I would never do that now. At the beginning of my trading day I focus on two maybe three trading instruments maximum that I can see there's high volume around. That's all that I need. Now I got a scanner. We've just developed a system which sends me an email when a setup comes from any instrument so this made it even easier. I mean it just happened in the last two weeks. We now have a system... I will set you up with this so that you can see it.

We have all the currency pairs in there and you can say on any time I want the system to email me when there is an end to a

rising market or an upthrust or a setup whenever it is on three different time frames all aligning. That setup means all the work is already done for you. I was in the garden the other day in fact I was sitting in the garden since we have a heatwave here in England. I got an email alert on my iPhone saying go look at your computer there is a short set up in gold. Lo and behold up I went there it was. I sent the alert out as an email to my customers and gold dropped 15 points. I didn't even have to do the work, it was all done and sent on my email. That's worth knowing. Yes the system that we got... in fact I'll send you the YouTube video for you to watch.

It was Gregory, the Russian programmer who programed it in. It is brilliant. It's really good. The amazing thing is as you get an email when this setup alert arrives. It takes all the work out.

Amazing.

You will see the video is pretty impressive, it's on YouTube at the moment. I will Skype it to you while you're asking the questions.

The next question is how do you cope with emotions today?

I have a trading plan and I just don't get emotional. There's no reason to. I treat trading as a business. A loss is just nothing more than the cost of doing business. It's as simple as that. The emotions are really removed. A lot of it. You cannot remove emotions from trading, I don't care what anyone tells you. I

don't believe it's possible to just be an unemotional trader. There is always some emotion there because we are human beings and we experience emotions. Unless you literally physically take maybe 10 bottles of vodka and fall asleep then you will not feel any emotion in trading. <Laughter>

No, you always have some emotion but the idea is if you trained you are prepared. Just as Tom taught me it's like being a soldier. You would not send someone to war with a gun who has never fired a gun. You train them first. You train them in battle. Once they get to the battlefield they know what to do. The stress is removed. They go on auto pilot. They realize that they have been trained correctly. Well, it is the same as trading. If you got a trading plan if you understand the market and if you understand the charts there is no reason to be stressed. You know when you are going to trade. You know what your targets are. You know what your risk is. Once you press that button, it's up to the market. If it goes in your favor then you manage the trade. If it goes against you then you are stopped out but you know that you are only stopped out for 2% of your account loss. You become more mechanical in your trading by having a trading plan.

Do you add to a winning position?

Yes, it is called pyramiding. Yes I do.

What do you do to mentally prepare yourself for each trading day?

Meditation.

Meditation?

I take 15 minutes of calm mindfulness. I call it mindfulness. I was taught this technique by a guy called Dr. Garry Dayton. He's a psychologist, a very good guy. He's also a trader. Before you even sit and look at your computer and start making decisions. Number one I don't drink any caffeine. I make sure that if I'm going to trade I have not had a heavy night the night before. I don't drink too much alcohol the night before. That is for a full trading day. Keep in mind that if you drink lots of coffee and smoke cigarettes this going to make you irritable when you trading because it plays with your nervous system. Really you have to be very calm. Now a lot of traders sit in front of the computer. They smoke 30 cigarettes a day. They are drinking 10 cups of coffee and then they're losing money. I say to them: "Well, there you go. That is why".

Tom Williams taught me that when you are going to the market it is like a soldier going into battle in World War I. If you are trained then you keep your head down in the trenches and you make your way and occasionally you will pop-up and shoot. You do not stick your head up and get your head shot off. Well that is exactly the same with trading in the markets. That is especially true in the live market today. You do not want to get your head shot off. You want to slowly carefully make you money. At the end of the day you haven't been noticed too much and you made some profit. I'm always very grateful.

That is the other thing that is very important. Before I start trading, I'm very grateful for the money that I made or for the previous mistakes that I made in the market. They all taught me something. Always go into the market with a grateful attitude.

The next question is what do you do to wind down at the long day of trading?

Vodka. <Laughter>

Really?

No I'm joking. I'm joking. I don't drink vodka. If I do drink I have a glass of wine. I don't have any problems with that at all. One of the things that I do because I live in the forest is that I go for a walk. Even with Olivia like tonight I go for a two-mile walk with her on a bike. I find that spirit especially where I live. I live in the country. I live in the New Forest National Park which has horses, pigs. Generally speaking I will go for walk. But when I was in Chicago I had a fitness instructor. Which I had for many years. It was great. Unfortunately the only problem with the fitness instructor as soon as you stop using a fitness instructor you stop exercising. It's nothing that you could do about it. <Laughter>

Yes. I try to walk when I can.

What do you do immediately after you lose a trade?

The first thing I do if I've lost a trade I evaluate in my mind what went wrong, why did I lose money. Generally speaking is

because my timing was not right. So I don't really dwell on a losing trade at all. I usually try now to find out how I can get back into the trade as long as there is permission to do so. Now, I never revenge trade. If I do have a losing trade there is a reason for it. Usually at end of the day as part of my trading plan I just evaluate the trades. The ones that worked I focus on because they are the ones that will work again. The ones that I lost, I learn from them. I try not to make those mistakes again. You are always going to get trades where you think it is going to work and for some reason it does not. People have to do with that. Human beings always want to be right. With trading you're not always going to be right. If you can accept that and work on the fact that you dealing with probability rather than absolute certainty then you'll be a great trader. Always remember what George Soros wrote a great book on risk. Once you're in that market your money is at risk and you dealing with probability. That is it. You're looking for higher probability trades but there is no such thing as a guaranteed winner in the market. It does not exist. Nothing that I've seen yet. There are a couple of setups that are high probability but I would never use the word guarantee it is always about measuring risk. If you do that well you'd be a great trader.

Okay thank you. What you think is the main source of your success?

Belief.

Belief?

Belief. That's it.

What kind of belief?

A belief in my ability to read the chart. A belief in myself. A belief in the VSA system that I've adopted and teach. A belief in what I've seen that people that are successful with the system. I know it works. But ultimately anyone that wants to succeed in life including sportsmen have to have belief. If they don't have that daily belief in themselves they will not succeed. If you go to the market thinking that you're not going to be successful, you probably won't be. You have to believe in yourself first and foremost. Again how do you get belief? You get educated. Knowledge is power. In this world that we live in if he got knowledge then you got power. To be knowledgeable in the financial markets with the knowledge that I've been given by Tom is a gift. You know, it is even more of a gift that you can share with other people in a cohesive method.

It is belief. It's absolutely the most important part of being anything. If you listen to tennis stars or golf stars. It was yesterday that filmmaker Phil Nicholson won the UK Open, the English Open.. The first thing that he said is you know I believe that I could do it. He said I woke up this morning and I believed that I was going to do it. That was a statement. You hear that from sports people all the time.

Andy Murray at Wimbledon - last year he was crying and sobbing when he lost. But he said that I will win this. He said on an interview two weeks before Wimbledon: "This is my year I believe I'm going to win. I visualized it and I've seen it, is my year". He won. Belief is a more powerful thing that we realize. Visualizing your success will eventually get you there.

How did you visualize your success as a trader?

Well, first and foremost in my case I was able to write a book. That immediately does something because it shows that you have expertise in a particular area. The second thing is you must go and show people your knowledge and get a response back. Well we got people all over the world now in Australia, Malaysia, Hong Kong, Poland and Russia who adopted Volume Spread Analysis just like you have and became very successful at it. I've had people change their whole view of the market because of this method. So once you've done that as individual I know the one I'm teaching is the truth.

I have an email from a Polish customer. I have to try to find, actually it's really interesting one. He was at Wall Street, the conference where I predicted that gold was going to fall even further, possibly to 1000 or 1200. People just could not believe that. People who were investing in gold could not accept it and several people doubted.

I remember this conversation.

Then what happens we see in a few weeks later gold collapses even further to 1200. No one wants to believe that. They find that very difficult to accept. Yet this guy said I went short on gold. Now he actually took a short trade on gold and made a lot of money. That is because he believed the principles. He believed that I was right because he looked at the volume in August 2011 when everybody was a buyer. He said: I was a buyer. I was fooled. I said that is why they call it fool's gold. You don't buy market tops. That is what got my confidence in my belief systems to such a point that I know that VSA works.

Do you have any regrets from your career path as a trader?

No. No. I love what I do. It is not just the fact that I am being a full-time trader. I am not. I have other things that I do which is teaching, education, writing and so it is not just being a full-time trader. That's because I'm not a full-time trader. I consider myself ... well 50% of my week is trading. My activities involve something to do with trading most of it but I have the good fortune to possess many income streams coming in from different places and that is definitely a blessing. That is why I have no regrets with my life path, none whatsoever.

What do you think is the role of discipline in trading? Do you have formal or informal daily routines with the trading plan that you follow?

A total of 90% of the people will lose money and don't have discipline and don't have patience. It is why the market works.

The market has to have losers and there are many of them out there because they do not have the patience and they do not have the discipline. Which is why we had so many losers in the retail sector. They have got no patience. You just have to look into some of the public chat rooms. They're all blaming the software. They're blaming everyone else. They are blaming anyone but themselves. The truth is there very successful traders out there who do have discipline and do have patience. I repeat this, it all comes back to a trading plan which 95% of retail traders don't even bother with. They just have to go to the market, press a button and see if they can make some money. When they lose it they feel very upset. They go and have an argument with their husbands or wives and they blame everybody else but they do not look at the mirror and look at themselves. That is why there is failure out there.

What is your solution for consistently following a trading plan?

The first thing that you have to do is to decide what it is that you want to trade. That sounds like a really silly comment. What do you mean what do I want to trade? I can trade anything that I want. I heard people say that but you want to become a specialist. The markets have specialists. There are specialists just like in any particular thing in life. There are doctors and lawyers. The markets have specialists. You want to become familiar with what you're going to trade. So you might decide that I want to trade Forex or I want to trade futures or stocks.

Now, how you want to do that is, first of all, to go and get a personality profile of yourself. There's plenty of places that you can them. I got one. They're very interesting. When you fill out these forms you're probably familiar with them. When you fill out the forms you answered four different multiple-choice questions and at the end of the test it gives you a report on your personality. You would be quite surprised just how accurate those are. In fact, many recruitment companies in England used them to actually profile a candidate to a job.

Well perhaps before people trade they should go on find a profiler to find out what they're like. Some people are aggressive and some people are conservative but ultimately once you decided what you're going to trade you must decide about the time frame. What time can you allocate to trading? If you are unemployed and you've got some money to trade, it could be every day of the working week when the market is open. That is great then you may want to be looking at intraday trading. But if you are working a full-time job and you got your own account that you want to manage but you don't want to trade intraday then you got to start looking at the stock market to trade. Maybe trading at the end of the day and just looking at your investment portfolios. But it is all about first and foremost to be successful you have to know what your personality type is and there is people that can help you with that. Once you've got that, you adapt your trading pattern.

How I help people is that I provide my trading plan as part of our mentorship course. They can get the plan that I've written. It's being converted into Polish now. That took a few

months to write because we have to keep amending everything but since then a lot of people have used the plan that I got and found that it works.

You can actually mirror other people's success and I've done that throughout most of my life by looking at successful people. What do they do that other people do differently? If you do that. Even in trading you'll find that successful knowledgeable people can be mirrored. If mirror what they do and try to apply it to your personality you may get some results. Some people definitely have.

It's rather obvious. But only a few people could apply that.

Exactly. That is the problem that we have as we try to teach people about the markets. You can give them all of the information. You can give them all of the setups that you want but it is what they do with it is the key.

Okay, thank you. The next question is how did you learn discipline? Were there any particular helpful exercises?

Well, I was a former police officer and I also went to boarding school. So I already had certain amounts of discipline in my background anyway. In relation to trading it came from experiencing losses and not liking them. So that was quite easy.

Discipline comes from experiencing losses. It's as simple as that. I'm afraid it is a reality.

If you don't become disciplined you will lose a lot of money and I've seen people who don't. There are some who just will not experience discipline. They're not used to it. Maybe their background doesn't allow them to have discipline and they shouldn't be trading. I actually tell people that. There are some people who I've met and I've told them that you shouldn't be a trader. Your mindset is not made up for that. Certain people cannot do certain jobs. Some people cannot be policemen, it is not their personality.

In the Army it is drilled into you. You have to have discipline because they teach you that. When you're sitting in front of a computer with cigarettes, a cup coffee and a $20,000 account and you want to make money. There is button to press and you think you're going to money. And then you lose $2000. The only way that you get discipline is to wipe the account out and learn the hard way. That is how most traders that I have spoken to learned their discipline. They experience the pain before the gain. It's not an easy to learn thing. If you try teaching someone discipline even children. I tried to discipline my children in a nice respectful manner but they are children. They don't want to be disciplined they want to do what they want to do. Human beings want to do that. Now, of course in the financial markets we know that is one of the reasons that we have so many losers. Because you can't teach

discipline. Discipline is experienced throughout life as you experience it. In the markets your experience will be losses. If you can't handle those losses then you should not be in the market anyway. Because you will experience losses. It is a fact.

Thank you. The next question is some people say that large players such as banks or funds manipulate prices by making false moves. Can you comment on that?

No, I know it never happens there is... absolutely not. They're all straight. They always tell us the truth, Dariusz. *[Laughter]*

If you could see my face you would probably... We call it being facetious but yes. I don't know how you translate that to Polish but we call that taking the piss. Yes. What do you want me to say I've written a book on the subject.

Yes but it is one of my favorite questions so I must ask it. Okay. Thank you for you answer.

I've written a whole book on the subject the fact is yes. Yes. Yes. If anybody wants some clear examples of this look at Barclay's. Barclay's is one of the biggest banks in the world and is just been found guilty of manipulating the energy market, manipulating the LIBOR market. It's all in the public domain thanks to the Internet. Whereas previously it was all kept quiet. So we know that there's been a whistle-blower in the gold market saying that JP Morgan has been manipulating the gold price for years. This is nothing new and it's been going on since

the days of Wyckoff. It is going to continue which is great if you can read volume. That's all that I can say.

After spending some time with you now I believe that the manipulation is a fundamental activity in the market.

Correct. It has to be there. It is human nature and it has to be there. Because human beings will always want to take an advantage where money is involved. Sometimes it is legal, sometimes it is illegal. Blatantly illegal but ultimately with the markets there is always that gray area in between that people can get away with stuff and it's always a gray area. Those gray areas are there. That is why it is good for people who could read charts because we can trade legally and ethically when we see manipulation happening. We're not manipulating the market we are trading alongside what is going on. So I think it's a good thing, personally. You know, I don't think that it will change.

Thank you. The next question is how do you think the future of speculation in Forex contracts or commodities will look like?

I think things are going to get bigger. I think the Forex market is going to grow exponentially because the governments are actively involved. In fact they even tell us they are manipulating the price of currencies. Now people can trade Forex easily and simply but I do believe is going to be more regulated. I think there's a lot of snake oil salesman in Forex. I believe there are a lot of people who are out and out criminals

running Forex companies. You don't want to print that but I know that to be the case. It is criminal some of the stuff that they do. I believe it will be more regulated. It will become more fair but it will be a growing market just the same as the commodities market is growing. It is growing exponentially. I mean if you get what we say about gold being manipulated is a very heavily traded market. It is going to continue to get bigger. It will always be traded.

Remember who prints the money. It is not the government. It's the banks that work in hand with the governments. So who is in control? Is it the banks or the governments? That is the question that you have to ask yourself? Who controls the banks? Who controls the media that tells us what the banks are doing? It's a giant club. It's like a pyramid. Once you understand that principle and you get past it you get on with it. You know that certain markets have more liquidity. Like Forex is the most liquid market but the greatest thing about the Forex market is that it doesn't have any trading volume but it does have tick volume which we can read. So again I think the Forex is going to be a growing market but more regulated in the coming years.

Where do you see yourself 5 or 10 years from now? Could you tell us?

Some island in the middle of the Pacific. Somewhere that is very hot with a boat with just me and a computer, trading and with a fishing pole. That is my dream answer.

Do you like fishing?

Yes, I love fishing. That is another way that I relax. Where do I see myself in 10 years? I think I will be much more involved in the self-help business. Not just to deal with trading but in human development because I am interested in that. I think that I will be very settled in England. I'm probably going to settle here at the moment. My family likes it over here once my wife gets her visa. But ultimately my mission is to help other people to understand themselves. To be a bit more like you. I tried to do that in the markets which I've been fairly successful at and I would like to do that in human development. I think that is something that will take me into doing what I do best. To create seminars and live events where I interact with people. I enjoy that far more than sitting in front of a computer and trading to be honest. I think trading is great and I can do it whenever. Like right now I'm sitting here with my daughter for four weeks. I can't go and do seminars so I can go on-line and do them or I can trade and I have been doing quite a bit of trading. I think I'll be far more involved in self-help and development of people and sharing the knowledge that I've gained over the last 46 years.

Okay. Thank you and we have only one question left. What all the cardinal rules of trading according to you?

Number one: the chart never lies. Number two: weakness or selling opportunities appear in the rising price. Number three: buying opportunities or opportunities to go long appear on the

falling price. Number four: believe in yourself and your ability comes with the knowledge that you've gained and the effort that you put in to training yourself to be better. Number five: I would just say that all markets are manipulated at certain times. The successful trader learns to recognize what the smart money are doing and trading in harmony with what they are up to.

Thank you Gavin.

Conversation with Albert Bruno

Albert Bruno was the Managing Member of AJG Gold Management LLC. His programmer expertise is advanced mathematics. He began his financial career in systems in the early 1980's. By the mid 1990's he was a consultant to several Wall Street firms to design and implement financial and reporting programs.

In 2001, he shifted his focus to market analytics, strategy development and implementation of automated trading systems. In 2009, Mr. Bruno was the lead technical analyst for a team that won the Trophée Or at the Salon de l'Analyse Technique in Paris and followed in 2010 with the Trophée d'Argent for innovative breakthroughs in technical analysis.

In 2013, he led the technical team that again won the Trophée d'Argent for innovative breakthroughs in technical analysis for application and management of sequential trading patterns.

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Beginnings

When, and in what circumstances, did you for the first time consider trading as something worth trying?

I am first and foremost a coder. I think like a coder where I have to prove and then am driven to improve my work. I was lucky

enough to be trained by a Wall Street legend, Mr. Robert Seaman who had the distinction of being the first person on Wall street to code a back office system in the 1960s. A quiet and shy but confident genius whose words resonate to this day in my head. He was the type of guy that would tell a joke that often seemed quite dry or humourless, where you would walked away not sure of what was said, only to realize that you had just heard the wittiest story. He was naturally deep in his thinking. He saw things backwards from most but usually it was a more direct path to the truth.

I learned the foundations of coding from hexadecimal to a mastery of DOS, today lost arts where I use components of both still in my work. Many words that resonate to me today were directed to his son, but was meant for all of us to become part of and one with the code.

He was the first Quant that I knew and the best one I have ever met. I asked him once to share some thoughts with me. The comment that still with me today is this "you have to become the quant". There are no answers from others that will solve what you must do. I believe this. I must solve whatever it is I am tasked to resolve.

So when did I consider trading something worth trying? Oddly enough, I did not think about it in this way. I had many people actually come to me to try to code their concepts as a matter of conversation. I was working around some smart fellows who did not know how to code.

This all happened before September 11, 2001. The coding was enjoyable and a distraction, where we would work all day on "back office" and then after hours develop trade modules building a collection of Analytic tools. The man who guided me to code these tools was a gifted trader and technical analyst named John Bodenchak. Bodenchak was to become my guru. Even to this day, to me, he is one of the brightest and smartest men in the room. He has the ability to see patterns without analytics. but he wanted a system coded to automate what he internally knew.

September 11th

I had an office in Tower 1 84th floor as well as one in the World Financial Building, 26th floor. It was a surreal day that in hindsight and rather latently changed my world and way of thinking.

In looking back I was a lucky one only by the timing of events of course I could have been there and due to habits I would have been one of the last to try to leave the building.

After that day, nothing was normal, it was then as a pressure valve I suspect that I drifted into the coding of trading and first thought about it as a real possibility.

It took several months of coding, but I remember that on November 15, 2001 I drove home though Montclair New Jersey

knowing that I could own any home that I wanted and live a life as I never dreamt.

From that point forward I became the quant have focused mostly on system development.

Could you describe your first system?

It was a failure. Yes, my revelation was a total failure. It was quite simple by my standards today, but in initial back-tests it looked great. In reality the market is not what it appears to be. There are trading costs, slippage as well as platforms that offer the mirage of success back-testing when in reality it could not be further from the truth. I knew nothing of market conditions changing. The more I knew the greater the mystery became.

My first system combined floor trader pivots, MACD, CCI as well as Japanese Candle combinations. And something that Bodenchak called Hips and Lops. High-points and Low-Points, but unlike most other formulas that determine pivots his method is still very different from most all that I read and coded since then.

I can say that today I do not use CCI or MACD or the candles , but I still use to success Hips and Lops and with the same Bodenchak formula.

If you initially lost, what caused you to stay in the game?

Not knowing when to stop. I am able to sit in one chair for 16-20 hours a day and think nothing of it. So it was more of a frog in a frying pan. Before I knew it I quit my beloved job, which truly was a job that I could not wait to get to work -a great job. Why? To pursue full time coding and trading. In hindsight, Sept 11 affected many of those people I knew years after it happened - I too was changed.

By 2003, Bodenchak moved to San Diego, where I moved for several months to focus and code his brain. I learned more in those several months that became the foundation of the work and approach that I use today.

Did you experience periods of hesitation when you wanted to leave trading?

Yes, in fact, I have - several time over the years. Sometimes you just need a break or to recharge your batteries. For me, I have always come back stronger and with new understandings and a greater focus on my work.

Was there any memorable experience that determined you to trade further?

I do not get the high that others seem to get trading. I am not a gambler by nature. I am more of a scientist. I like to prove my work and of course find the expectation in a system. It is coding systems that offer the greater rewards for me where almost immediately you can understand what you have found. That is my high.

What kept you motivated? Did you have any external support at this time, such as friends, family, a mentor or a book?

I think that trading is a lonely passion. It is hard to speak to anyone outside of the industry regarding what I do. Most all my work appears very mysterious to others. Where friends used to make far-off assumptions. (I have listened to friends tell others what I do… that has me inventing a host of Wall street products - it is crazy).

On another tier, I have been lucky, whenever I spoke to someone about trading, coding or systems, who was in my field, it seemed like I had the edge or understood the mechanics of it all in greater detail than most. Probably because I have invested so much time proving whether concepts work or not.

What was your next system? Do you remember why you changed the first one?

My second system was a failure and a success all in one.

I was now on my own having graduated from my guru. But I still collaborated. I developed what was a robust system, that for the first time was using dynamically adjusted targets and stops. It back tested and was profitable live. I remember taking a vacation for a week while someone else was to monitor the trades. They did not even turn the system on. But when I did I was shocked to see that it failed abysmally.

At that point I went into the code and trapped what was going on. I modified the code to cover for conditions. Covered all the issues that made the strategy fail.

But the strategy day after day kept failing.

It was at this point I learned probably the most valuable lesson in building strategies. Curve fitting is the art of destroying a strategy by trying to build a perfect model. I was soon to learn that strategies that work, lose trades and are flexible enough to bend in a storm to recover from reasonable drawdowns.

This lesson is something thankfully I only had to learn once.

Did you have any system for tracking your performance?

Since I am automated I do, it is much easier to let code capture the results and generate stats.

Did you keep any trading journals? How did you analyse them? Were they really helpful?

No, not in the classic sense since trade journals are more for discretionary traders. However, trade journals though are very healthy anytime you reflect you learn and hopefully do not repeat mistakes.

I do keep notes and have a Standard Protocol book, a checklist, to ensure that I check all the switches to see that all is in order. From this standpoint this is my journal. I add to it when

I encounter mostly technical issues with solutions or procedures.

Did you have a high level of stress when you started? How did you cope with it, what worked for you?

Yes, I did. Trading at first trading was very emotionally draining. I did not know how to allow losing to happen.

This to me is the biggest problem with most traders - learning how to lose.

Did you attend any trading seminars or training sessions?

No, I have never attended any trading seminars.

What was the most memorable experience from your beginnings?

My first successful code that opened my mind to the possibilities. It did not matter that is was not that successful. Seeing or coding a path, with a light at the end was very inspiring. Like a puzzle you then believe that you can solve it.

What did you learn from the early phase that benefited you most?

Not to curve-fit in order to get better results. Code must be loose enough to enable indicators to be flexible and dynamic.

Did you have an "aha" moment in which you suddenly understood what you had to do? Describe that moment, what led up to it, and what happened next.

That was November 15th, 2001 when I saw code-wise what was possible trading. The first time I allowed myself to dream. The second aha was using time channels and trade corridors. this concept alone can make most more successful. Trading is not a 9 to 5 job, it is an art that is better done in a certain light of day.

Was your family supportive of your decision to trade?

No, not really, only because they did not understand what I was doing. As well I have invested insane hours getting to understand what I did not know.

How did your early experiences prepare you for your later years as a trader?

I am still using code that I developed from the first days as a trade, you build upon what works. Most concepts work but need to breathe or flex as market conditions change.

What was your first year trading in Forex like? Was it profitable? Was it any different than your first year trading equities, options or futures?

As I have grown to understand market flow, time channels and volume I have come to the conclusion that I do not like forex. There is no volume or centralized market.

Did you have a regular job? How did you reconcile trading with this job?

My full time job (and my passion) is coding and trading.

Taking into account your actual experience as a trader, do you have any suggestions for beginners?

The market is always there, good trades happen every day. Learn that losing is part of winning. Most new traders lock in profits fast and exit losing position slow. Usually to a painful death. Reverse this and you will success. Exit losing positions that exceed your stops and allow winner to ride.

Please give us several most dangerous issues beginners are facing today. Do you know solutions to these problems?

Not understanding volume. Volume is what makes the market move and get your trades get filled. You cannot see it on a chart well as most tout price action but the underlying current that enables one to get into a trade early or even contra- trend is understanding volume, market depth, volume at price levels. Study volume first.

Do you know someone who lost much? How did it happen? Was that a valuable experience for him, her or you?

Other than technical mistakes which happen, those who lose too much are usually gamblers. I know people scalping who make 30-50 k a day not using any stops. However, these traders are going for ticks. When I hear of people losing large amounts, usually it is because they did not put a stop in and were wishing for the market to turn in their favour or they are

serious gamblers. Both are destined to become someone else's dinner. Bulls make money, bears make money, pigs get slaughtered.

Transformation from a beginner to a successful trader

When did you reach the level of consistent gains?

About 5 years ago, after about 20,000 hours of work.

Trading goes against most of all that we have learned as humans. The market just does not care if you are smart or hard-working. I think that to understand trading you have to learn to fail and accept it as a variable. Once you factor in losing to the equation then it seems easier to win.

What timescale works best for you?

I let the market tell me what timescale or data compression works best for my algorithms. I much prefer momentum bars as this compression breaks down long bars (wide ranges on one or two bars) to bite-size numbers that indicators can absorb to generate signals.

Do you combine systems, for example: long term entry using intraday or scalping?

No, not really, what I have developed is a concept I call "Prime-Trend", where this value is the heart of short and long

movements. It enables trades on daily or intraday to work within the same strategy. All of my strategies can scalp or trade long-term. The strategy just scales to the data compression to find the pulse or the "Prime-Trend".

Could you describe your biggest win? How did you feel?

Actually I do not remember. My take on the market is much different than this. I trade to capture something I coin as the "prime trend" a value that is divisible by most all trends in a series. This is a smaller target but it enables many more wins in a row which allows advanced money management to be applied to the system. I remember my biggest loss though.

Could you describe your biggest loss or losing streak? How did you feel about that?

My biggest loss was a combination of a trading platform and human error. It happened on a futures rollover on a holiday weekend where I had no clue that I was in an automated trade. And there was news that caused the position to go against what was traded. The desk could not assist due to it being a holiday, a new person was manning it while other were away. Since I did not believe I had an error I let it ride. Totally embarrassing and extremely painful. As you can understand the platform techs found the error. However they had a clause about not supporting servers. It was a mess mentally as well.

Could you describe your biggest mistake? What lesson did that experience teach you?

It taught me to pay attention to detail.

What would be your most significant accomplishment as a professional trader?

The incredible collaboration I seem to have with other traders and receiving thumbs up from peers. This is a lonely art, that no one seems to understand so when you collaborate with people you respect and it is returned it means a lot - to me at least.

Did you have a moment when you were disillusioned with trading? Was this a positive or negative experience, and what did you do next?

I was never disillusioned, I knew that it would be a long road before I mastered whatever I needed to find…

Maturity

How long did it take to develop and to get comfortable with your methods and trading style?

I have read that it takes 10,000 hours to become a master at a craft. I however was enrolled in the 20,000 hours course. I will say even if I knew what I know now, I still needed 10,000 hours to understand what it was I stumbled upon. For me this life is like living an art. I still work 16-20 hours a day and am often up

all hours of the night. I hope this never actually stops. I truly love what I do.

How do you cope with emotions today?

I believe that all trading has some emotion. However, I now do not feel the emotional swings of success or trade failure like I did years back. You have to allow yourself to lose, as much as allowing the system time to win.

What do you do to mentally prepare yourself before each trading day? What do you do to wind down after a long day of trading?

The systems that I have developed trade in Time Channels or Trade Corridors if intraday. Respectfully, I do not believe that one system fits all every day. So all systems that we uses, that are intraday, only trade for several hours at a time if at all.

Daily systems trades last for 2 to 7 days on average. Expectation is built on 400-800 trades over a decade. The systems are designed to identify the market conditions and trade accordingly.

What do you do immediately after you lose a trade now?

Nothing actually, losing is part of winning. If the system loses beyond its historic expectation then the system turns itself off.

What do you think is the main source of your success? What is your secret of exceptional performance?

Suffering <laughter>. Allowing myself to suffer for years to develop or to find the key. There is no holy grail that wins all the time however there are many ways to find incredible consistency through repeatable patterns. This combined with money management is a powerful elixir.

Today, do you have one system or many?

Many systems now. As strange as it sounds I now consider myself a chef where almost any indicator or concept can be designed to be profitable. It is all in how you add in the spice that takes a blend strategy and makes it robust. This was not always true, the breakthrough as most all my breakthroughs, happened by mistake.

Do you trade with a discretionary or a mechanical method? Do you use more than one method?

I prefer automated but it is still fun to discretionary trade.

Do you feel comfortable leaving open trades overnight?

Yes, depends on the account and margin. Many of the systems are built based on holding overnight positions.

What is the most important part of your system?

Absolutely hands down money management. You can lose many times with the proper money management.

Do you have any regrets regarding your career path as a trader?

None. The only small regret is not finding this path in life earlier. But I believe too that all that has been put in front of me is there for a reason so I enjoy many things without regret

What do you think is the role of discipline in trading? Do you have formal or informal daily routines with a trading plan you follow?

Discipline is everything. You cannot allow emotion or changing of strategy in the middle of trade. Plan the trade, trade the plan. If you have no reason to be in a trade as the signal or opportunity was lost or evaporated, then exit and wait for the next setup.

How did you learn discipline? Were there any particularly helpful exercises?

No pain no gain? Lucky at some things but many lessons were because I got my fingers burned.

What do you suggest to a beginner? How can he or she learn discipline fast? Do you know any exercises, systems, techniques, etc.?

This is a tough question, the many people that I have spoken with over the years cannot admit or do not want to say that this is an issue.

I would suggest unlearning how to win or learning how to lose is the key. We are not wired naturally for trading. Most everyone was raised on the adage: hard work pays off. where in trading it does not matter, if it is a bad trade then it will always be that way (margin, time and pain threshold considered).

Some people say that large players, such as banks or funds, manipulate prices by making false moves. A lot of traders, especially beginners, have a problem with that and lose significant amount of money as they learn from widely available books. Could you comment on that?

Yes it is true. It is easy to see on most any chart the large player toying with small traders. We are just small mosquitoes that can suck blood but can easily get smacked. May I suggest that the beginner learn about volume and attempt to be a contrarian. Meaning, watch the volume and when price is at an oscillation against building volume in the other direction take a trade against price. The opposite of most peoples natural thoughts.

Amazing you will find a positive slippage as well as strong cycle that soon will go in the direction of your position. Large traders cannot hide if you look for their shadow and small mosquitoes are harder to smack if they are biting from behind following the direction of the large players.

Future of Forex

Did you notice any significant changes in the markets in the last 2 or 3 years?

I am not a big Forex fan. There is a lot of deception. Until they organize Forex into a common house there will always be an illusion. You cannot see the volume of your broker (except one broker that I know of). This alone makes Forex a great challenge to master.

How do you think the future of speculation in Forex will look like?

I hope that it consolidates, this will benefit the traders greatly.

How has the Forex market changed, in terms of trading tactics, over the past two, three, or five years?

It is tradable for sure but there are easier ways to reduce risk.

Where do you see the Forex market being three, or five years from now?

There is great interest in Forex as it is inexpensive to play, many times data is free. However, this is due to the thinness of some markets. If only traders understood. You can watch the price slip 4-7 pips on one trade at times. Try to back-test that for automation.

Future of Gold, Metals Market

Did you notice any significant changes in the metals (especially gold) markets in the last 2 or 3 years?

No, not really. Our system has been able to adjust to market changes or regimes.

How has the gold market changed, in terms of trading tactics, over the past two, three, or five years?

From an automated standpoint the market is pretty much the same. However, I suspect for the intraday and discretionary that volume and ranges different. All in all one has to know the market that they are trading and adjust.

Where do you see the gold market being three, or five years from now?

Technically no different, the patterns hold up for years into decades, but scaled of course. Fundamentally, Gold looks very bullish I would not bet against gold going below 1150 ever again, it cost more to mine than that price. Gold is the world's currency, it cannot be printed, so it should maintain or increase its value as compared to fiat currency.

Additional questions

What are the cardinal rules of trading?

- Learn to allow yourself to lose or not be right.
- Develop a procedure or trading plan.
- Whether discretionary or automated plan the trade, trade the plan.
- Never catch a falling knife.

- Bulls make money, bears make money, pigs get slaughtered.
- Determine your targets and stops based on expectation.
- The market is always there. Trade to fight another day.

In addition to being paid money, how else has your trading career created value in your life?

To each his own, but I like a job where I cannot wait to get to work. Literally, I cannot wait to get back at it. That is what I always hoped; to find a job that I enjoy every day. I would say that I am more focused and patient because of coding and trading.

How much time, in hours, do you devote to trading every day?

1-4 hours. I used to do incredible premarket research, now code (indicator and strategies) sizes the market and determine the regime in seconds. In coding however, I am testing new concepts constantly, that is the balance of my time.

Thank you.

Conversation with Phil Newton

Phil Newton is a full time FX & futures trader.

He was interested in trading from a very early age and started reading about technical analysis when he was about 16. He started hand drawing charts of the FTSE 100 and some stocks at about the same time.

Using all his savings he made his first trade when he was 18 in a UK stock called Waterfall. He purchased 920 shares at 54 pence and sold out a little over 8 months later for 108 pence. Since then he was hooked.

Some years later he was lucky enough to get a start on the trading ladder working for a software developer that had developed a black box to trade the futures market. This is where he really learned what not to do in trading as in his words: „they pretty much did everything you shouldn't do when trading".

Diagnosed with Crohn's disease he spent 8 weeks in hospital 4 of which in a critical care unit, and the following 8 months recovering at home. This was the time of his most important decisions. Being very close to death, he thought his life over and decided to put his plans into life. One of this plans was his dream career of a trader.

Near the end of his recuperation he took £1000 off his credit card and started trading Ibex futures.

Not only he succeeded in trading, but has his own forex website and provides training and courses for the public. Needless to say, all the opinions about him are excellent.

Phil provides regular daily reviews of the major currency pairs as well as streaming video tutorials and video reviews from some of the day's trading opportunities.

In his own words Phil provides the reasons for establishing „Trading Strategies":

„During my early stages of development in my trading career I always mused over the potential for a one stop shop for information on how to trade and find out "what works". I have now come to the conclusion that everything works some of the time with the correct application.

There are two main reasons for the site's development, firstly, to provide information in an easy to access and understand format without all the hype and promises of riches with 5 minutes work per day that many of the so-called systems and strategies promise.

The second reason Trading Strategies came about was after many frustrating hours on public sites offering my time, help and sharing my own trading experience to those who wanted

it. The main obstacle I found with this was the open abuse and profanities that many people would give as a result of simply sharing my experiences as a trader.

In short, I wanted to move away from the BS that surrounds this industry and I wanted a safe environment for myself and for people to ask questions and develop their own experience and enhance my own."

www.trading-strategies.info

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Beginnings

When, and in what circumstances, did you for the first time consider trading as something for you?

The first time I considered looking at the markets was when I was about 14-15 years of age. I went to see Geoff's, a friend of the family, house that my parents knew as I used to play chess with him. When I got to his house he was there on the phone talking about some UK stock investments that he had on the phone with his broker.

In short It sounded like complete nonsense but totally fascinated me and like Oliver asking for gruel, I asked for more.

That was about 92/93 and from that day on I started to take an interest in the markets. Looking at the stocks and indexes

on the teletext. At first I would just look at them still not knowing what was really was going on just looking at the 10 biggest winners and losers for the day and thinking that's money being made or lost.

Obviously for me this was a time when I couldn't actually place a physical trade due to my age and I would pick it up and put it down as a project or something to look at.

At some point I started to think about how to actually find something to trade and realized that I could do it like Geoff and read the company reports. "Yeah right!" or look at a picture showing a pattern or an indicator… something called technical analysis.

So with my choice made and severe lack of funds, no computer… "What's one of those... only rich people have those, right?" (I'll save you the poor upbringing sob story)

I asked for a book on TA which turned out to be Options as a strategic investment, learned about indicators charting and patterns. ("Wow, this is turning out to be complicated")

From the very start I was drawn to price patterns as again I wanted an easy route and having to manually work out the indicators was "too much like hard work". I started hand drawing charts a few books later and never looked back.

Could you describe your first system? Please supply details if possible. Did you construct it by yourself (if yes could you describe how) or took and modified someone's? Was it successful or not? Could you describe why?

My first system didn't really come about until years later. I had the luxury of time on my side, no funds, no computer and still didn't know how to place a trade. Patterns still seemed to be the easiest thing to look for and I was constantly asking myself "Why isn't everyone doing this if it's so easy?"

Something I did stumble on very early on which I still do today is the answer to a question that after reading a new book on TA (and I soon realized that they all had the same information in them and stopped wasting my money) was: "At what point do you get in?" A pullback for me was the answer to this question and I was fortunate to realize this so early on…. So trading is simple: find a stock you like, buy a pullback and make loads of money and by time I'm 30 I'll be a millionaire. "Right then, how do I find something to trade?"

My first few trades were very different to my first trades with a strategy or system. I had read about a company in a publication that had given it a good review. It was called Waterfall and because I could I rushed out with all my saving and bought as many shares as I could…. The next several months were tense for me I purchased at 54p and daily I would check the price and work out what I was making… At first it didn't do much and actually started to go down for a week or

two. Why? I would ask myself, why me? Emotionally this was hard but a valuable lesson was learned at a very early stage.

Anyway, I was lucky and nothing more than that. I sold out at 108, (price was actually a little higher but by time I'd gone to the bank I'd lost out on a few pence.) "Man, this is simple. I'm going to be rich!"

I immediately started to look for other stocks and within 3 days I had bought 3 mining stocks. "This is great. I've got my own portfolio".

Again, luck played some part here as I wanted quick price action and make money fast. Greed played a big part as well as hope. I had thrown what I had spent the last few years learning out of the window and literally purchased some random stocks.

I sold one at the same price as I bought, one at a slight loss and one at a slight profit. Overall I didn't make or lose any money but more importantly I learned that this isn't easy at all as I first thought.

University beckoned, jobs, money, bills, socializing all needed their hungers satisfied. So I decided to spend the time between all these learning more looking at chart patterns finding that magic secret, saving some money to trade and learn what I needed to, so that I could be successful. During this time I dabbled in options as a low cost way to trade.

Several years passed before I really took it seriously again and thought about a system. And during my second stint at university in 2000/01 (dropped out the first time) I met someone who had a trading room and invited me to trade his black box system.

I now had access to live market data (still had no computer) the ironic thing is that I learned a lot in this room for all the wrong reasons. He would override our trades or tell us not to trade "there is news out shortly" he would say or come up with some other reason for us not to place a trade… It was his money, who was I to tell him what to do. All the time though putting what I knew into practice in real time keeping a diary of what I would do, my emotions, market observations… Building my knowledge in real time and confidence so that I could actually do this for a living.

Still looking at buying a pullback or selling a pullback…. ("You can sell and make money when it goes down! Wow, now I can make money both ways… This just keeps getting better")

So my first strategy really came about from chart observations... There was always something left out from a book that NEVER told you how to enter the market it was always a chart after the fact in hindsight. This is one of the things I like about teaching people in my live trading room I can show people the patterns I use in real time as the chart is unfolding without the magic hindsight and show them detailed

precise rules which I learned at this early exposure to the market.

I was looking for patterns, a consolidation pattern in one of its many guises and I know how to enter a trade on a pullback.

So in short my system, while still nowhere near perfect, was born… Looking to enter on pullback (a continuation pattern) after I had identified a triangle or range of some sort, a break of a previous day's high or low… But it did make me money… at least on paper.

If you initially lost, what caused you to stay in the game?

I decided after a leap of faith to open a spread betting account and use my own money as the trading room I was in wasn't all it was cracked up to be and the promise of a percentage of profit looking unrealistic with constant interference from the high lord who's money it was, too many reasons not to trade, "bah! Fool!"

I placed my first trade on the Ibex (Spanish Index Futures). Within about 5 minutes I had shorted, doubled up to go long and then doubled up to go short…. "Phew that was intense!" made some money eventually. Hells fire! What an emotional rollercoaster the first trade lost as it went against me almost immediately. The second again went against me. Finally the third trade made me the losses back and then made me about £120.

I fell into a big beginners mistake of doubling up the losers on a stop and reverse tactic without any reason or justification than the thought that if it's not going down it must be going up. Luck once again got me out of a hole.

Ok, so first real trades were out of the way with my own money and what an absolutely nightmare! What happened? And why, to coin a phrase, did I shit my pants? (Metaphorically speaking of course).

Emotions were hard at work here and I still needed answers. I traded a pullback, on a pattern I liked so why did it go wrong? Yes, I made some money, but at what cost? I should have been thrilled but I wasn't I was damaged mentally by a monetary gain. I could have jacked the whole thing in there and then. Of course when I was asked about it "Yeah, I made £120 today, how much did you made this week doing your 9-5 job?" Inside my head I wasn't so inspired at my success.

Mentally I felt like had wiped out my account but I knew that I was onto something. What made this trade different to my paper trading success?

Did you experience periods of hesitation when you wanted to leave this field of trading?

After my first real trade I was hesitant to put the next trade on but I wanted to know more about the live trades compared to the paper trades. I took a step back and looked to my trade

diary that I kept. What was different to the paper trade and the few trades I had been placing for the High Lord on his account?

Was there any memorable experience that determined you to trade further? Please supply details if possible.

To cut what is turning out to be a very long story I discovered that emotional detachment was a key (this is one of the lessons I constantly try to get across to my Live Trading Room members.) How could I duplicate this? I still wanted to trade for a living and it had captivated me for a long time and I was so close… so, so close. How could I give up now?

These little "aha" moments that I was having were keeping me driven towards my ultimate goal.

I needed to nail down exactly what I was going to do and when I was going to do it without any emotional attachment.

It was at about this time that I was diagnosed with Crohn's disease in the early summer of 2002. "I only went to A&E (accident & emergency) to get some abdominal pains seen to. Luck has been with all through my trading journey and luck again is what was with me now. The doctor on call by pure chances that saw me that day said, after a short examination, "I think I know what this might be. I'll need to do some tests and you might be in overnight."

So, I'm thinking "overnight stay, no problem. A box of pills for a few weeks maybe and I'll be right as rain."

Well that's when it all went downhill. I severely deteriorated during the night and was rushed into intensive care.

I spent the next 8 weeks in hospital 4 of which spent in intensive care. I spent a lot of time on a variety of pain relief and if you every have the choice I would go for pethodine over morphine.

What motivated you at this time? Did you have any external support at this time?

I spent a lot of time as you can imagine with my own thoughts thinking about a number of things: life, myself, my career and a whole host of things.

After I was offered the last rights by the hospital chaplain and after I, very politely I might add, told him where to go and what to do when he got there, I thought "Shit, it just can't get any worse."

From my careers perspective this is when I made the ultimate decision to go full time as a trader.

Having stared death in the face on a few occasions during my stay in the hospital Intensive Care, "What's the worst that could happen? Lose a couple of quid?"

The phrase that decided it all for me was;

Better to have tried and failed than never to have tried at all.

What was your next system? Why did you change your first one, do you remember?

So I'm now back at home, effectively housebound for the foreseeable future, no source of income. I've made my decision to trade full time and after a shortish period of rest at home that's exactly what I did.

I will be trading pullback on the break of consolidation patterns, breaks of support and resistance levels. I will trade only the best patterns. I will trade with precision and discipline. I will trade nothing that is not a part of my trading plan. I WILL TRADE. I AM A TRADER!

I waited two months for what I considered to be a text book version of the pattern that produced the best results in my paper trading… After all, where was I going? This is what I wanted for my first trade… The first of many in my trading career.

A few month later a friend was talking to me about exchange rates and asked if I traded them. I said no, and asked him more about it. It turned out he knew very little about it either. This is when I was introduced into the world of forex.

My next system or the next stage in its evolution was trying to put what I know on to the FX data that I had access to. I placed a 100-period moving average on a 15 minute chart and thought about trading a pullback after price went above or sell a pullback if price moved below. The hard part was when the 100MA flat lined, which meant that the market was range bound. And after a day or three of staring at GBPUSD I realized that it was a 24-hour market and had a little laugh at myself for not checking the time line at the bottom of the chart and then BINGO! The Asian session break out method was born. I discovered another link in the chain. If price is typically range bound during the overnight trading then I can wait for price to move out of the range before I start looking for a pullback above or below the moving average… "Well hold on, I don't need the moving average now to tell me which way price is moving now <click click>... Well, at least that cleans the chart up, it was only in the way."

During the evolution of the break out method that I have been using in its many guises I have always traded them the same way. I have added little bits and pieces over the years and played around with various combinations of money management, measured move targets and other Fibonacci related strategies. But that is another setup that I use.

I think that it would be fair to say as well at this point that although I've read a few trading books over the years but at

no point did I feel satisfied that they had fully detailed a trading method to me.

My biggest teacher has been the charts. I had a good foundation stone from those early readings but nowhere did it tell me how to apply them in real time as the market is unfolding in front of you. Price has been my teacher at every stage of the game and if you come into my trading room this is the big thing that you will see different from so many so-called market gurus in that I train people in my methods in front of a live market with absolutely no hindsight. Showing in precise detail the patterns that I use, how to identify them in real time, where, how and why I trade the way I do on a daily basis.

Did you have any system for tracking your performance at this time?

Having decided very early on after spending money on stupidly priced books that didn't really tell anything new, I hadn't really seen measures of performance so not really knowing about them and my ultimate goal is to keep things simple. I don't actually work out the multitude of ratios for performance as long as I'm making money, who cares?

Seriously though, I am a lazy trader… I do a few simple things rigidly on a daily basis to keep bread and water on the table. From a mental perspective I find this approach has been good for me in developing mental discipline as I've never focused

on loosing periods or winning periods. I know where my account is and what the monetary performance is and ultimately I'm making money.

Currently my outlook on performance ratios has changed as I'm now moving into managing client funds and I have worked out a variety of performance ratios for my last year's trading from Jan to Dec '07. This is something which I intend on continuing from now on.

The breakdown is as follows:

Annualised Sharpe Ratio	3.2
Average Monthly Return	+16%
Minimum Monthly Return	+3.2%
Peak to Valley Drawdown	+10.8%

I also have to add that since I have started doing my Live Trading Room my performance has gone exponential as previous if I felt like take a day or ten off I would simple shut down the PC and not trade. The luxury of being your own boss I suppose. Since I now run a Live Room training/education program and moving into managed accounts, this performance has increase simply due to the fact that I'm looking for trading opportunities 5 days a week from 6:30-7am to usually about 4pm.

I have broken some personal records as well, the first month in the live room I produced a return of over 4200 pips and this

month (Jan '08) so far this has been smashed and the month isn't over yet.

I've also managed my largest single day trade of 340 pips on GBPJPY (23rd Jan '08) that was a single trade, no compounding, no fudging the numbers, one trade from entry to exit. For me these are just some personal land marks and may never be reproduced and are simply market dependent results. A personal achievement nonetheless.

Did you write any trading journals? How did you analyze it? Was it really helpful?

Did I write a journal? Yes. I keep a log and have always kept a written log of my trading. Early on I was more concerned with my mental state of mind while I was trading so I paid particular attention to how I felt and noted the emotions that I was experiencing while I had a trade open and during the management of those trades.

This for me was invaluable. The trading plan was just that I followed my plan as this was what I was intending to do when I identified a trade and other than refining the strategy with new market observations which I have done and continue to do when I notice something new that can be incorporated into my regular strategy after a period of testing.

I was able to see my emotions unfold while I was trading and if I experienced the usual three emotions, fear, hope and greed,

I would then be able to "re-frame" the way that I viewed those trades from my emotional state of mind.

If I was fearful about a trade setup that regularly turned out to be profitable over a period of time I knew that this was a good emotion for that trade setup.

Did you have a high level of emotions/stress initially?

The mind knows everything that you have ever experienced. The hard part is getting that knowledge from your long-term memory, often referred to as the subconscious, in to your short-term memory, often referred to as the conscious mind.

I prefer to refer to these basic interpretations of the mind as your conscious and other than conscious mind. Your subconscious suggests that it doesn't do anything but it is constantly working breathing, pumping blood and taking notes in the background whether you realize it or not.

A lot of the time these messages don't come through as a coherent thought. You can experience a variety of good emotions that would suggest something to you.

For example if you get a phone call and you know who it is before you pick up the phone, a lot of people might think you are psychic or of super brain power. But what is really happening? You friend might call you every Tuesday at about 7pm to say hello or arrange an event that you both do together. You may not be aware of it consciously but your

subconscious does and tells you consciously. How many times has this happened and you said to your friend "I was just thinking about you when you rang."?

How did you cope with/overcome stress? What worked for you? (Please supply details if possible).

For me dealing with these stresses from day one was an important part of my evolution both as a trader and as individual trying to get through life. I have always had an interest in the mind and memory which has been nurtured over the years.

For me what works is that I meditate daily for at least an hour and have done so now for the last eight or so years regularly and prior to that on and off. I initially started off trying to improve my memory to help with test scores and exams as I was only every an average or below average student.

I also regularly work out either at the gym or in martial arts. Go for walks with my soon-to-be wife. Weekend breaks, generally have fun and enjoy life as I know all too well that my life can end tomorrow so I make the most of the now.

I try to keep a child's mind. Always curious and open to the possibilities that are out there, both in the world and for trading. "There is always another way of doing things and it might be better than the way I do things now."

By keeping an open mind to new ideas and experiences and reducing at every opportunity the stress that I have with a multitude of mental exercises that can take 5 minutes to as long as you want to dedicate I keep my life generally stress-free (at least as much as is possible)

Little things also help. I stopped wearing a watch many, many years ago. Interestingly I always know roughly what time it is (remember your mind knows everything).

Take pleasure in other people's pleasure a child playing, smile at people in the street, hold the door open for people, and say please and thank you. Having manners doesn't cost anything and being rude doesn't get you anywhere. It makes me happy and when you're happy and smiling other people will be as well and it reduces your stress.

When you notice those frown lines on your forehead take a moment to yourself, take a deep breath and say: "relax".

I think I could write several books on the subject and thousands already have.

I teach a simple all-purpose de-stressor in my trading room. "Don't underestimate the power of the mind."

Did you attend any trading seminars/training sessions? Could you describe them in detail? Were they helpful? Which part was particularly helpful?

None, the market has been my mentor and teacher. I read a few books as I've mentioned which gave me a very loose understanding of the very things that I still use today from a price pattern point of view.

I have as a result, been totally self-taught, from market observations. Made my own opinions of how I should trade these so called "text book" patterns which I believe are presented totally wrong or marketed in a misleading way.

With the age of the Internet on us, everyone has the ability to write and market an "e-Book" god forbid anyone who does pay $99 for a "once in a life time offer". As you will also find in many of the more formal hard copy books, there is always something missing, some key element that the author takes for granted in their system. I have from time to time purchased one or two and they are so laughable.

Is there a trader, teacher or mentor that you remember having been particularly influential?

The market is a hard mistress to learn from but lessons are always well received when they come along. Everything you need is in the charts; pick a time frame, it doesn't matter. Be open and curious. Ask yourself questions. Why did price stop there? Is that a regular pattern? Can I incorporate that into my core trading plan? Etc.

What was your most memorable experience from your beginnings?

My most memorable trade was my first trade after deciding to go full time. As I mentioned I spent two months waiting for what I considered to be a text book trade. I wanted it to be perfect and to hit the ground running. I think I know better now. I also think that from my first earlier experiences I was also a little fearful of getting it wrong but I was doing my best to overcome those emotions and had already mostly conquered them.

I think after this there was a day what I realized total emotional domination. At the time I was day trading NASDAQ stocks. My PC had broken and I was at my brother's house using his PC with a pot of Jasmine Tea on the side.

It was a new string to the trading bow really for when FX wasn't doing much in the afternoons. I was only looking to trade the most volatile and active period, looking for quick moves. Using 1 and 5 min charts to trade a breakout of the previous day's highs or lows (I don't do anything different regardless of market). Occasionally we will look as NASDAQ stocks in my trading room to highlight this point. After 40 or so minutes I had finished looking for trades and was down to managing the trades to close out for profits. It was only when I checked how many trades I had on I was stunned.

I was completely "in the zone" 100% focused on the chart and not my account P&L.

What did you learn from the early phase that benefited you most?

Although I knew that I needed total emotional detachment, this was the first time that I had experienced total emotional detachment. Again, keeping a child's mindset when I reviewed my trading day, what was different to this day than on other days? My circumstances at my brother's house had forced me not to have a separate monitor with my trading account permanently staring at me.

Another additional "little trick" that I tell my students to do is not to have your trading account showing and only bring it up when you intend to place a trade. Don't focus on the P&L account. Think in Pips not Dollars or in percentage terms. If you have a 70 pip stop loss for example, that might still seem very off-putting as a trade. But if you think in terms of percentages and you are only every risking 2% of your account on any single trade then it doesn't matter if you have a 7 pip, 70 pip or 700 pip stop loss. It will always only be 2% of your account size.

Was your family supportive of your decision to trade?

My family has always been supportive of my work choice. And if we get right to the point who wouldn't be if you wanted to start your own business? That is all I've done when you get right down to it.

My passion could have been fashion or engineering and I still would have pursued my own business down one of those particular paths.

My family has always told me to "Follow your dreams".

How did your early experiences prepare you for your later years as a trader?

My earlier life experiences have contributed towards my outlook in life and any new experiences I have will contribute as well as I formulate new outlooks and opinions. I always try to keep that child-like curiosity which I think society has lost.

In trading terms my early experiences certainly were a large part of the person I am now and will continue to become in the future with new experiences.

I have been very fortunate to have some important lessons early on and I have tried to learn from them immediately.

What was your first year trading in forex like? Was it profitable? Was it any different than your first year trading equities, options or futures?

There is only one thing I can say to describe my first year trading full time and that is, if you will excuse my language… "Fucking Brilliant!"

I have traded Options, UK shares, US shares, index futures and ultimately settled on Forex and the main vehicle that I trade. I continue to dabble in all of them as I look for a portfolio of markets approach to my trading.

If FX is not producing then there may be opportunities on index futures or stocks, although FX will always be at the center of my trading.

Did you have a regular job? How did you reconcile trading while having this job?

No, as I mentioned I was diagnosed with Crohn's disease and needed to generate an income. The company I was working for came to see me on hospital and basically said "when you get better, there is no position for you." I'll never forget those words, what a tosser!

If you could do it all over again, would you take a different learning path, or are you satisfied with the route you have followed?

There lies an interesting question. If I were to do it all over again I think that I would do it all the same.

However, If I knew what I know now is a different interpretation of the same question. I think I would have liked to have taken the step to full time earlier but I do not think that I would have had the same experiences or determination to get through to the place that I'm at now.

The thing I found most frustrating was the lack of knowledge available to traders wanting to pursue this career path. It was also one of the reasons why I started my own website and live trading room, www.trading-strategies.info, to provide strategies that work to show people how to use them effectively or how to take that knowledge and adapt it for their own use to develop their own trading plan. Finally, to provide a low-cost, safe learning and trading environment as very sadly on public forums I have found, from my own experiences, a lot of idiots who just want to send other people abuse and insults. I have a zero-tolerance policy for abuse which allows my students a facility to ask as many questions as they like without fear of being "flamed" for a variety of reasons.

Taking into account your actual experience as a trader – do you have any suggestions for beginners?

This is a business. Most new traders don't treat this as such. If you were to open a shop on the high street the first thing you would do would be to write a business plan. You would know what you were going to sell, how you were going to promote it, cash flows and a multitude of other projections "before" you would have even have a shop open. You need funding, either personal investment or loans to help you get started and this business plan would contribute towards raising that capital.

A business plan consists of three questions.

1. Where I'm I now?

2. Where do I want to be?
3. How I'm I going to get there.

All the ideas, statements and projections you write go towards answering those three questions.

Trading is no different - you need a plan and you need funding. You need to know what you are going to do, why you are doing it and when you are going to do it.

There is only three ways the market can go; up, down or sideways.

So at a basic level in trading terms your business plan should consists of these three questions:

1. Where is price now?
2. What is it doing?
3. How can I get involved, if price goes up/down/sideways, what is my plan?

These three questions I go into great detail about as there are many implications - both for reading the charts and understanding what is going as well as the psychological aspects involved when placing a trade. These three questions when you understand there implications mean that you are putting the odds in your favor for finding a high probability trading set up.

Ultimately, you will always have a reason to do something and know why you are doing it.

After all is said and done if you opened a shop on high street and didn't know what products you were going to sell or how to market them you would not last very long at all.

Please give us 3-5 of the most dangerous issues beginners are facing today.

1. Lack of a trading plan
2. No trade or money management
3. Underfunding
4. Lack of discipline
5. Lack of patience

Do you know solutions to these problems?

Write a plan. Simple solution but hard if you don't know what you're going to do. Start small and pick a pattern that you are drawn to. For me it was patterns and look at how you are going to trade that pattern. Like any business plan you can make this as detailed or as simple as you like. I firmly believe you can use those three basic questions. You will need to look at entry patterns, exit patterns and money/trade management. Know where you are going to enter the market, exit the market and how you intend on managing the trade.

Don't trade with what you can't afford to lose, an old cliché but very important and make sure you have enough to trade

with in the first place. No business starts with such low funding that they can't pay employees or other bills and if they do they don't last long. If you can't afford a starting capital - paper trade. Get some practice in while you save enough to start realistically trading with.

Never trade with borrowed money. Never risk your shirt on a single trade. Don't risk more than 2% of your equity on a single trade.

Don't start live trading until you have constant gains on paper or in your demo account. What makes you think that live trading will make you a winner all of a sudden? Practice make perfect.

Do things that compliment the skills you are trying to develop. For patience, play strategy game chess or other computer strategy games where strategy and patience are needed.

Be open minded, don't discount things because you don't agree with them. Your view might change when you have had time to think about it.

Do you know someone who lost much? How did that happen? Was that a valuable experience? (for him/her or you)

The first time I saw someone lose a lot of money was when I was working that company that had a trading room. There were a few private clients there as well renting seats.

I saw him burn out £25,000 in about 20 minutes. Not a major amount of money but it was his and his family's life's savings.

Lack of discipline, lack of a plan was his failure. Not surprisingly I never saw him again. I've heard stories from clients before they have come to me tell me some nightmare stories but that is the one that always sticks in my mind.

It was valuable to see, as I saw first-hand the devastation, that can happen to someone that doesn't treat trading as a business. We're not playing golf and if you lose your balls (ahem!) it doesn't matter so much... If you lose your balls trading you will notice that they are not there.

I thought "I'm never going to be like him!"

Transformation from a beginner to a successful trader

When did you reach the level of systematic gains?

From going full time I made gains from my first trade.

Did you try different systems of trading (trying a system means using it in real market conditions minimum two weeks): scalping, intraday, mid-term (position open up to a week), long-term (from week to month).

I've tried out a variety of different variation of many aspects of my trading setups and developed from my own observations I

will test it with money in real market conditions to test the viability of introducing it into my regular trading routine.

To prove a point to a client I literally made up a strategy on the spot based around my own philosophy of trading and price action using three mathematic indicators and the final entry trigger… You guessed it a pullback, was used.

This was designed as I scalping strategy. I ended up trading that strategy for a few months doing video reviews of the strategy for my site. I dropped it in the end, I don't use any mathematical indicators as they don't sit well with me. Price action is king.

What timescale works best for you (scalping – minutes, long term – months)?

I know I have the mental aptitude to trade between different time frames very easily and if a pattern is set up on. I predominantly day trade as my main objective is to capture the main move of the day but I will also take swing trades up to the 240 min charts lasting 3-5 days or slightly more. It really depends on what the chart is telling me.

Do you combine systems (for example: long term entry using intraday or scalping)?

Most definitely. As I have suggested I will often mix strategies and time frames depending on what is developing on the charts and due to the very simple nature of the way I conduct

my business. This is usually very easy to see on any time frame that you are looking at. I will usually start on the very small time frames (sub 3 minutes) for an entry. If this doesn't trigger I will be looking for the pattern on 15 then 60 min charts.

I will also combine strategies and time frames to scalp and entry or an intraday trade to leg into a swing trade. Again, this is all chart dependent and fully detailed as to how you can do it in my Live Trading Room at the hard right edge of the chart.

Although I adopt this approach I still trade mechanical and disciplined within the boundaries of my trading plan.

Could you describe your biggest win? How did you feel?

Although I've held some longer term trades than I've mentioned previously and captured several hundred pips compounding into a move, my biggest single day single entry trade GBPJPY on the 23rd Jan '08 for a total of 340 pips from entry to exit. At the time I didn't think about it. It was intended to be an overnight trade, it just happened to hit target very quickly.

It was only later in the day and then the following day that it hit me. It brings a smile to my face thinking about it but from a trading perspective I had no emotional attachments to it at the time. It was a close thing if I'm honest I had to have a leash on the emotions regarding this trade due to the speed of movement but they were kept in check.

Could you describe your biggest loss/losing streak? How did you feel about that?

Once again, I have never paid to close attention to winning or losing streaks. I have no emotional involvement towards the gains or the losses. That doesn't mean to say that I don't feel it when I have an extended period of mixed results or drawdown.

What makes me different than most is the ability to move beyond the bad times. One of my biggest losing streaks was on a GBPUSD swing trade while I was trying to position myself on was 27 loosing trades on the trot. The validity of the long trade I was looking at still hadn't voided and so I continued and continued and continued. When the move eventually came I was there with it and compounded into it. I made my losses back and a very small profit. "OK, so not this time but I did everything I said I was going to do." For me this is a mentally winning trade. And in reality didn't give me the profits I was looking for. My plan worked I stuck to my rules and I regained losses. Of course they don't all work out that way but I followed my plan to the letter. I am rigid with my application of my strategy and I know I will make money over the long term.

Could you describe your biggest mistake? What lesson did that experience teach you?

My biggest mistakes have been trying to trade opinions. "I think the market will go up, so looking for long trades only."

Well what happens if the market goes down? Hence my three basic questions. So if my initial assessment doesn't work out I will have a trigger to change that opinion based on what the chart is actually telling me is happening.

As a result of those temptations to trade opinions, I have since included the three basic questions before each trading opportunity rather than using them to develop an opinion on the market conditions to base a trade on.

I'm looking for potential in a trade not just any trade that develops.

I tell my students that "I'd rather be out the market wishing I was in, than in the market wishing I was out." I will let trades go as a result of being unsure or seeing that there is a lack of "potential" in a trade. "There is always tomorrow" and "I'm in it for the long haul, just to look for a trade today", finally "today doesn't matter as long as I can trade tomorrow".

So many clichés I know but these are rule that I live by as well as trade by. Life is dictated by the decisions you make.

What would be your most significant accomplishment as a professional trader?

My most significant accomplishment as a trader is being able to place the next trade regardless of the previous trade's outcome.

I do a series of simple things very well time and time again. There is nothing complicated about it.

I think after this is teaching people how to trade in the same way I have had so many success stories now of people who have made the transition from hating the day job to being full-time traders.

If you could meet any trader/investor, past or present, who would it be? Could you describe why?

I have kept my head down over the years doing what I do best and if people come across my site and want training the I will give 100% to them.

I don't think I have any wish to meet anyone in the industry. I think if I had to choose I might like to meet Jesse Livermore. I have read the book of his trading history as well as his life history and found it interesting. It is one of the few books that I will recommend and have read multiple times.

Did you have a moment when you were disillusioned with trading? Was this a positive or negative experience? What did you do next?

I don't recall being disillusioned with trading although I have been disillusioned with the experience of trading. This has been during periods of unfavorable market conditions and drawdown phases. What keeps me on top of these times is the mental aptitude to know that in the long run I will be on top of my trading game.

Using the high street shop example - no business has a customer every day or see the same week on week sales. Why should trading be any different?

Maturity

How long did it take to develop and to get comfortable with your methods and trading style? How have they changed over time?

It is a constant cycle of event and although the basic patterns I trade have not trade the way that I trade has in small ways and adjustments over time.

I have never been comfortable with using mathematic indicators to trade with although I have picked them up and put the down over the years now I simple just don't bother.

My trading style I believe will continue to develop as the markets continue to ebb and flow back and forth over time.

How did your trading systems evolve?

The application of my strategies has also developed and matured with age and experienced based on market dynamics.

I may notice that the conditions of the market present a particular pattern - it could be a short lived pattern or it could develop into long lived pattern.

One such example is the reaction to news releases, things like NFP, have in the past produced regular moves in excess of 200+ pips on something like GBPUSD. This has been very tradable. Now the reliability of this reaction and the ability has currently moved away from currencies for the moment just as it did with index futures in 2001/2002. So while trading the actual reaction to the news I can trade the patterns that present themselves post news with a high degree of success. This does allow me to see if the market is going to react to the news items in question and if there is going to be a tradable pattern post news release.

How do you cope with emotions today?

I don't. I trade the chart. If I do slip emotionally I can fall back to my three basic questions to assess the market or the trade that I'm currently in. Or if it's a particularly strong emotion there are many exercises that I can do to remove them quickly.

Do you add to a winning position (compound)?

This depends on the type of trade I'm looking at. But yes, I will do so depending on the market conditions and the pattern that develops.

What do you do to mentally prepare yourself before each trading day? What do you do to wind down after a long day of trading?

You might laugh at this but I'm now at a stage where I have a routine in place that doesn't involve a high level of emotions

when I trade. I'm very passive when I trade, almost to the point of ignoring what I'm doing, just in the same way that you don't make a conscious effort to change gears when driving. Like NIKE says, "just do it."

My 3 basic questions keep me in check before during and after a trade.

At the end of my trading day I like to read, watch movies, meditate before I sleep, play my Xbox, train and play with my parrot. I also like to cook, go for long walks and do something or experience something new each month.

I think I like living my life just as much as the next person. I like to be doing things and dislike not doing something or having a little project on the boil in the back ground.

What do you do immediately after you lose a trade now?

A losing trade for me is a question of perspective and is also something that I try to teach through "re-framing". A losing trade is one which I did not follow my very strict rules. A monetary loss is not necessarily a losing trade in this case. It was an acceptable business risk when I originally took the trade on, this time it produced a monetary loss, next it might produce a monetary gain.

In short, after a loss I look to see if there is another trading opportunity. There have been times when I've taken some losses in the morning and a lot of the time a newer or less

experienced trader will give up thinking "This doesn't work" but I follow my plan to the letter and if something sets up, I will trade it. So in the afternoon session I have often reduced those losses, made them back or as can often be the case, I can end up making a profit. As you can imagine this depends on the market conditions on the day.

What do you think is the main source of your success? What is your secret of exceptional performance?

I eat and sleep just like everyone else. I'm not some super hero trader and I hate being put on a pedestal because I'm better some something than someone else. Guru just means teacher in a different language… I just trade.

I have a plan, I trade that plan without deviation or hesitation. Over time I will continue to improve that plan or add to it as I develop new ideas.

What does it takes to be a market master?

Mystical powers and fairy dust.

Seriously, develop a trading plan and trade only that plan with discipline and consistency. The catch is that how do you develop a plan. As I said earlier, start small. Pick a pattern you like (for me this was price patterns), look to see how that pattern develops in real time. Find out where the best patterns develop. You are looking to buy support and sell resistance. A simple rule but one everyone forgets. Add money or trade

management rule. There are a multitude of options for you. Where/how are you going to exit?

This is slightly over simplistic but you need a well-rounded strategy and to trade that to the letter. Paper trade it. Refine. Paper trade it. Refine it.

If you think of a sports person, a tennis player doesn't just decide to enter Wimbledon. Then learn the sport, develop a style of play. Practice, practice and more practice to get to a level where they can compete at a very high level.

A trader isn't a trader because you decide to be one… That is merely the first step on a long road. Doing it right isn't a quick road but if you do it right you will be successful.

Today, do you have one system or many? Could you describe it?

The way that I trade encompasses the philosophy of "keep it simple". I do have several pattern and regularly trade three patterns. In reality if you were to put a label on all of them according to the so called text book names you would actually be trading quite a lot of patterns. We counted them up in my Live Trading Room one day between trades and the break out method that I teach actually consisted of about 12-15 differently named patterns, whereas I simple call them by one name. Who cares what it is called? Can I trade it? Yes I can.

How do you prepare for a trading day (possibly in detail)? People meditate, use affirmations, NLP techniques, relaxation techniques, they work with imagination etc. What do you use/suggest?

I prepare for life in the same way that I prepare for trading. I take one day at a time. I mediate daily for at least an hour. I have incorporated many relaxation techniques into my daily life. A simple solution to stress is to count numbers. Usually this is used to go to sleep (that is to count sheep) or count to 10 if you lose your temper.

As a relaxation method counting from 10 down to 1 works just as well. And say to yourself "relax" between each number does actually work very well.

Studies have shown that you can't actually think of anything else when you are counting numbers. Hypnotists use this counting down method to induce the trance-like states.

One thing I did many years ago now while meditating was to work a trigger to induce and instantly relaxed state. I will not go into the details as doing it yourself could take some time and are considered quite advanced techniques but are simple to do once you learn them. In essence I created a physical trigger and a word trigger to induce a relaxed state of alertness (think Pavlov's dogs here folks.)

I've never really used affirmations but read a lot on the subject during my journey through the mind. Affirmations are a tricky

subject and a lot of people use them without understanding them. You can develop a positive sounding affirmation but in actual fact it you have developed a negative affirmation as an underlying suggestion.

For example you might decide on an affirmation along the lines of "I will be a successful trader". On the face of it looks like a positive suggestion that you "will" be a better trader and the underlying suggestion is that you are not already a successful trader and will continue to be so until you change the way you think. For this reason and others I find reframing a better method to use.

A more suitable affirmation might be "I will allow myself to be a successful trader". This way you are removing the negative underlying suggestion that you will remain unsuccessful and remove the blocks that are currently there. There is direct suggestion is that you are going to be successful in the future and creates and underlying suggestion to allow yourself a way through to being a successful trader.

Do you trade with a discretionary or a mechanical method? Or, do you use more than one method? How did you develop your methods?

Most people might think that I'm a discretionary trader as I trade purely off price action. However, due to the way that I apply my methods I would say that my approach is mechanical as I have a very ridged set of rules to determine a

trade, after this I have a rule set to enter the trade and certain events need to happen which are all rule defined as are the money management techniques. Following this I have a rule set for my exits. At each stage of the game I know what I'm going to do, when I'm going to do it, and why I'm doing it. All of this is usually well ahead of the trade actually setting up.

What class of market moves do you want to catch?

Another vague question! When it goes up I buy, when it goes down I sell. <laughing>

My main objective for intraday trading is to capture the main move of the day. I'm not looking for a few pips I want the trade that gives me the lowest risk entry with the highest possible return for the day. This is also one of the simple little rules I have that I teach that determines if there is a trading opportunity for the given currency pair that you are looking at.

How long did, or does, it (your system) stay in the market?

How long is a piece of string? Usually when someone says that to me I return that question by saying "Double its half".

This is one of those market-dependent things that you have to put up with. The market will do what it going to do when it feels like it. Usually my intraday positions are open for a few hours at most. Swing trading or overnight trading based off the larger time frames is also viewed the same way. Although usually 2-

3 days and not usually more than about 5 days I think is the longest I've held a trade open recently.

Do you feel comfortable leaving open trades overnight?

Personally I've no issue holding overnight if that is what the chart is telling me. Some traders in my experience have a problem with this style of trading. As a result we go through the different trade management options for swing trading setups for those that don't want to hold overnight and conversely for those people that don't have time to day trade due to other commitments. I go through using the strategies based solely off the longer term charts without refining an entry based off the lower time frames.

What is the most important part of your system?

The mind. Being able to apply your strategy is the hardest thing, developing faith in it and confidence that it will work in the long run.

Anyone can learn anything with enough time and commitment. Being able to do what you learn is, I believe, the final stage of a trader to becoming a full time trader.

How do you manage money, do you have rigid rules?

I have ridged entry, exit and trade management rules which allow a very high degree of emotional detachment. My first priority is to remove the initial risk by scaling out a portion of my

position and once that "free" trade is on, I let it do what it's going to do and hopefully run to target. This way there is no pressure on the trade at all. After this it will either hit my stop loss order or my target. I never move my stop loss as a rule for day trades.

What has been the theme of the month in the Live Trading Room is different trade management tactics. For example with low account sizes that may not allow a high degree of account management flexibility. So I have spent time showing past trade management tactics that I have used as different options for different starting account sizes.

I try to appreciate that all traders are different with different tolerances for risk and what I do isn't the be all and end all of trading and that there is no right or wrong way to trade, only what works for the individual and show different ways of achieving the same end product, a profit.

Do you have any regrets regarding your career path as a trader?

None.

What role does discipline play in trading? Do you have formal (or informal) daily routines with a trading plan you follow? What is your solution for consistently following trading plans?

Discipline is one of the most important aspects of trading. Without it, you will not be able to conquer usual three emotions: fear, hope and greed.

Firstly you need a plan and the discipline to follow that plan to the letter. Know what you are going to do and when you are going to do it. My three basic rules keep my in check in many aspect of trading - both emotionally and from physically doing something stupid when trading.

As I have already mentioned I try my best to live a healthy life both physically and mentally which keeps me in tip top shape when I work.

I think one of the hardest things for new traders is not realizing that there are three type of trade you can place; long, short and flat.

Not placing a trade is the hardest thing to do as new traders think that they have to be placing trades on a regular basis. Know when not to place a trade and actually not placing a trade unless one qualifies according to your plan. Keep the faith when your plan is not working well in the current market conditions and having the faith that your plan works in the long run. This is something that I try to highlight in my trading room. When I notice the emotions start rearing their heads what I try and do is to talk through them so that even someone who is trading full time and making a living from the markets experiences the same things and make mistakes from time to time and that I am actually human. When I talk through these aspects I explain the things that I'm doing or have done in similar situations to keep my mental discipline and hopefully

ease the fears that my students have about their own issues as they have grown and develop as traders.

How did you learn discipline? Were there any particularly helpful exercises?

I think that is one of the harder questions that you have asked me. In short you either can or can't follow a set of rules. Personally I've had to learn things over time. The market has been a good teacher as from day one I've always asked myself "what can I learn from this experience?". As a result of this process of evaluating and monitoring my trade and my mental state of mind while trading it has allowed me to see in detail how I trade and how I react to trades I've taken.

I think with the evolution of my own trading as I wanted to know and identify what I considered important elements of a successful trader and not get ahead of myself. I wanted to know how to achieve a mechanical state of trading.

To be honest, all through my trading journey I firmly believed that there was a system that you could just have on your charts that would either say buy and sell so I would not have to have any emotional attachment to the trades as "the computer would be doing it." While I still have that belief, I do not think that it is in the public domain with conventional tools.

One important element that I have done from day one was learning to learn how to take a moment after each trade or at

the end of the day to evaluate all aspects of the trade. This way, I developed the discipline I would need in the future to be long term successful.

With each new observation it might have created a rule or a new addition to the trading plan or reinforce what I was already doing. Ultimately, stick to the plan I have seen it work time and time again and when I break my rules or bend them I have had my fingers burned. The markets have always taught me what I should be doing if only I am prepared to listen.

What do you suggest to a beginner – how he can learn discipline fast? Do you know any exercises, systems, techniques etc?

This would really depend on the individual, some people don't have an issue with following a set of rules that they define for themselves but at the same time they can still fail. Why? They don't understand the rules.

Keep it simple and don't overcomplicate things for yourself. You can make this as hard or as easy as you want to. For me I have a firm and time-tested belief that you can trade successfully with only knowing the basics as long as you fully understand those basics.

For those that don't have a solid discipline level - do things in your life that can compliment the mental side of trading. I recently suggested to my Trading Room that they should try learning a new skill each month. I've taught myself to juggle

between trades, sleight of hand tricks as well as learn how to develop a website and some basic HTML coding. Play strategy games that will teach you patience, planning and discipline. These may sound like stupid things to do but if you are doing things that compliment the skills you are trying to develop for trading then it will become second nature to implement.

While trading I will often play with Chinese chime balls. I find it very relaxing and serve's several purposes on many levels.

Learn a martial art, find a good teacher (the hard part) you will learn a structure, discipline, visualizations, all the tools you need to trade with as well as being a very good de-stressor.

I also meditate and do Tai Chi. Learning metal focus and a relaxed awareness of the world I live in and helps increase your spatial awareness.

There are literally hundreds of things you can do, none pf them trading-related, that will compliment the skills you need as a trader as well as in your day to day life. What most people want is spoon feeding and not prepared to learn something new or actually go out and find out for themselves be curious and keep open to new possibilities. For example in my Trading Room I constantly test knowledge. I have to a certain degree tell you what I'm doing, but once you have that understanding I will develop that understanding with regular "practical days". If someone asks me "where is the stop or entry on this pattern?" I will usually reply, "Have a go". It may be they don't fully

understand the pattern yet, but at least they are attempting to understand and speed up their own learning curve significantly.

What, in your experience, are the three most essential elements of your success?

The most important is the mental capacity to trade. The mind is the last barrier to conquer it will make people fail regardless of how good your trading plan is so it would be best to make a start now. Other factors of a winning formula are:

- Having a plan
- Having faith in that plan
- Trading that plan with discipline.
- Patience and knowing when not to trade.

From the very beginning I have also had a lot of luck on my side either from favorable market conditions or from being in the right place at the right time to trade the right market. You obviously can't predict or learn this but it is very nice to have some good fortune on your side from time to time.

Do you have a chosen currency pair? Could you briefly describe its characteristics?

I used to specialize in GBPUSD and EURJPY but as far as I'm concerned a chart is a chart.

Intraday market movements do have certain characteristics that repeat and are tradable as to individual characteristic this could be a large book on its own full of "ifs", "buts" and "whens" .

I prefer to stick to facts when price is pointing up I buy, when price is pointing down I sell and when it is neither going up or down I usually step aside.

Some people say that large players (banks, funds) manipulate price by causing false moves. A lot of traders (especially beginners) have problems with that and loose significant amount of money as they learn from widely available books. Could you comment that?

Price will always be manipulated in the short-term but over the long term these manipulations cannot be maintained. A lot of the time these manipulations can be identified and are often referred to as stop running.

As long as you follow observations of simple price action the chart will tell you what is happening at all times on all time frames. In my live room I detail a mechanical approach to identify which way price is pointing.

A lot of retail traders will take it personally when they are stopped out thinking that they have been "stop ran" but in reality the most likely cause is that they have not chosen a suitable stop loss location. They have placed them too tight

and market fluctuations simple have taken them out of the market.

The most common places to place your stop loss order are some of the most common places where price will "spike" up or down to. These levels can be avoided. Most people use fixed stop loss sizes as well as not knowing what they are doing which just compounds the issue.

Future of Forex

Did you notice any significant changes in the markets in last 2-3 years?

The markets constantly change from trending to ranging both in the short term and in the long term. Ultimately as long as you can identify which phase the market is in you can adjust your trading accordingly.

The main thing that I have noticed is the impact or reaction of the news items on the markets. This was pretty much the same observations that I noticed on Index futures in about 2000/2001. Shortly after this observation index futures went through a period of contraction. The same thing happened with Forex about 2 years ago and then the trending environment that we had seen on many USD related pairs started to break down.

This is cyclical in my opinion and will always continue to happen but the market will always tell you what it wants to do and give you little clues like this.

How do you think what the future of speculation in Forex will look like?

I have a rather blasé attitude to this and ultimately who cares as long as I can make money from trading. If I can make more money on E-Bay trading Beanie Bears which was a craze in the mid to late 90's then that's what I'll be doing.

My objective is to make money and if there are opportunities to make money on other markets, I will look at them.

Forex has been good and kind to me for a long time and I believe that it will continue to do so. Money is the staple diet of global economics and will for the foreseeable future continue to be traded as the market ebbs and flows around relative to individual countries monetary policies that will ultimately effect the values of that country's currency value compared to another country.

How has the FX market changed, in terms of trading tactics, over the past two, three, or five years?

So far in the last 5 years I have seen trending markets and consolidating markets. This is the nature of market movements and all markets as far as I'm concerned act in this way and will continue to do so.

In the short term governments may impose blocks on price trading levels and boundaries like for example the GBP before it fell out of the ERM in 1992. These are usually short term measures in the big scheme of things.

In terms of trading tactics I'm a simple trader with simple objectives. I have traded the same way with minor changes in tactics through trending and consolidating markets.

Where do you see yourself five years from now? Ten years?

Still trading… I love it too much just to stop doing it. I don't see myself being a wage slave at all and I'm fortunate that I have found and am successful at what I consider to be my vocation in life.

Additional questions

What are, according to you, the best systems for beginners (part time traders or people with very little time during a day), how they should start trading?

I'm reminded of a quote from one of my favorite films, "There is no spoon".

There is not "best system", golden egg and other than in relation to Monty Python - there is no Holy Grail.

The best system that works is one that you have faith in and can execute around your current work and life commitments.

On my site I have developed such a strategy that can be performed around your day job with little input. This, once you have learnt the rules, can perform in literally 5 minutes and at specific times during the day can update your trade and manage it successfully.

How should you start trading? Firstly, you should not use actual funds to trade with. You would be better off simply burning it as you will most likely give it to the market as you simply do not know enough at this stage to make consistent returns.

Find some aspect of trading that you are drawn to. For me this was patterns. Learn those patterns inside out and know them like a family member. See how you can apply those patterns in real time and paper trade until you are making constant returns on paper. Then and only then can you even think about using real money.

Learn good trade and money management and how this relates to your trading.

Develop a trading plan and follow that plan when you have complete and utter confidence in it.

What are the cardinal rules of trading according to you.

I follow my 3 basic trading rules. When I hit something I'm not sure about step aside, fall back on the 3 basic rules and if you're still unsure leave it. There will always be another trading opportunity.

It is better to be out the market wishing you were in, than in the market wishing you were out.

Always know what you are going to do, when you are going to do it and why.

Never chase a trade. If I miss a trade, so be it.

In addition to being paid money, how else has your trading career created value in your life?

The way I have tried to live my life and be a person on this planet has complimented my trading it has never been the other way around.

Trading - just like working any job - allows financial freedom to do what I want when I want to. The only difference is that I like my job, whereas most people don't like their jobs.

How much time (in hours) do you devote to trading every day?

About 8-10 hours, Monday to Friday. At the weekends 2-3 if I don't switch it off and try to completely forget about the markets for a day or two.

You have to learn to switch off completely sometimes and take total breaks from the market. Otherwise you will run yourself into the ground and become obsessed and compulsive.

What books will you suggest to a beginner? Could you describe what is important for them inside?

None. One book on technical analysis is as good as the next they don't tell you really how to trade in a real time environment but they should lay the foundation stones for the types of tools that you can use.

The best book is "Reminiscences of a stock operator" this is worth reading multiple times. There is not one single chart in it which is the first thing that you will notice but it is one of the most detailed books on the description of price action movement that you can ever read.

Other books like New Market Wizards, will help you see inside the mind of other successful traders.

Apart from that spend a lot of time on the charts trying to understand what you see.

Your general advice for beginners?

Learn price action… When price is making higher highs and higher lows it is going up. When price is making lower highs and lower lows it is going down. When price is making neither new higher highs or new lower lows it is range bound… Simple.

Sidebar: I do not mean all-time highs or year highs or I'm referring to swing highs and lows.

Could you describe the fastest path to profits for a beginner?

The fastest path to profits is to get a job. This will give you a regular wage.

The fastest path to trading success is to go slow, don't do anything without understanding it fully.

If you were a tennis player and you enjoyed the odd game every now and again you would not enter yourself into a major tournament. You would not stand a hope in hells chance of winning. Yet people seem to think that buying a computer, getting some charting package and putting a moving average onto a chart, just like it says in all the text books, will miraculously make you money.

Learn your tools of the trade. Develop a plan. Learn money management. Test that plan and refine it. When you can make money no paper you are ready to move on to the next level.

Which system of Money Management is best for beginners?

There are no right or wrong ways to manage a trade. Never risk more than 2% of your account on a trade.

Regarding trade management I look to remove the risk of that trade as quick as possible by scaling out a portion of my trade at a predefined level before I enter the trade.

I have used trailing stop strategies in the past but found that they did not suit my personality or trading style.

What's the best use demo trading in building competence? Some say that demo can build bad habits, what is your opinion on that issue?

Demo trading is just the modern equivalent of paper trading. It should be the first port of call when you are learning and testing and developing your trading plan.

If you were a tennis play you would practice your skills regularly. This is what we need to do be at the top of the game in the long run.

If you were a business man with a shop on the high street you would even before you looked at business premises have worked out exactly what you would sell, have profit projects and a multitude of other performance indicators "before" you open the shop. After this it is a constant cycle of re-evaluation and updating that plan based on market conditions, testing ideas and marketing tactics.

All successful businesses and sports persons do this… Why should trading be treated any differently?

Do you know about documented situations when brokers or large institutions play against their clients (closing positions, stop hunting etc)?

I don't think I would like to go officially on record and name drop but yes - I have heard of times where brokers will literally

shut down the entire system at critical times during critical market hours.

Thank you.

Conversations with Jeff Wilde

Dr. Jeffrey Wilde is a trading veteran with 17 years of experience and is a trading coach to over 6500 traders in 83 countries. In addition to helping traders around the world, he actively trades the forex, equities and futures markets and is in the process of setting up a managed forex fund. His blog http://www.askjeffwilde.com offers free trading articles, tips and advice. He also offers a variety of programs at *http://www.win-at-trading.com*

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Beginnings

How did you start trading?

I somehow got on a mailing list for a commodities program and received a slick looking 30-page booklet telling me how I could easily make a fortune trading things like coffee, cocoa, sugar and pork bellies. It sounded like a "no-brainer" and I bought the program as fast as I could whip out my credit card. After a few short months I learned the hard way that there was a whole lot more to successful trading than I was led to believe.

When, and in what circumstances, did you consider trading as something for you - for the first time?

I was hooked from the minute I bought my first commodity course. It really appealed to me as there was unlimited income potential, no boss, no staff, low overhead and no commuting. It seemed like a dream job.

Could you describe your first system? Please supply details if possible. Was it successful or not? Could you describe why?

My first system was actually a program I paid $3000 for. All I got for the money was a hard bound 200 page book. In a nutshell, it taught how to trade the S&P 500 Futures using the Fibonacci levels along with the stochastic indicator and volatility bands. It also paid attention to a lot of market movements that occurred at specific times of day. For example, at 10 AM EST we were taught to look for a rapid reversal of the initial trend which was due to floor traders running stops on the smaller traders.

What was your next system? Why did you change your first one, do you remember?

The next system cost a whopping $10,000 and was nothing more than a glorified Fibonacci system for the S&P 500. All I got was a book, a few simple indicators for Trade Station and 2 days of live instruction at the "guru's" home in Portland.

I bought this one because the first system turned out to be way too subjective. The ironic thing is that I thought by spending on

a really high priced program that I would finally uncover the "Holy Grail" and be free of subjectivity once and for all.

I dedicated almost a year trying to make the program work and eventually gave up as it was too subjective and hard to trade in the real world.

Did you have any system for tracking your performance at this time? Did you write for any trading journals? How did you analyze it? Was it really helpful?

Yes, I kept a trading journal initially that went into detail regarding all the factors that went into why I took the trade and the end result. It was really helpful as it helped me uncover recurring mistakes I was making.

For example, I realized that about 25% of the time I was taking trades that I shouldn't have and was basically jumping the gun due to impatience and forcing trades that hadn't setup properly yet.

Did you have a high level of stress initially?

Oh my god yes. In fact it was so bad my hands would shake when trying to pick up the phone to place an order. What's more, when I had a losing trade I would feel sick to my stomach for hours.

How did you cope with/overcome stress? What worked for you?

In the beginning the stress was really tough as I was trading with limited capital and it was money I couldn't really afford to lose. The anxiety became so bad at one point that I could no longer pick up the phone to call in my order. I was so worried about what might go wrong that I always talked my way out of the trade.

The amazing thing was that almost every time I talked myself out of a trade it would have made money and… When I finally had the nerve to take the trade I ended up losing. This got me frustrated to no end.

My solution was to concentrate 100% on the trading and once a setup occurred my wife would phone in the trade. This helped me from getting in my own way.

Did you attend any trading seminars/training sessions? Could you describe it (if any) in detail? Was it helpful?

I attended about 5 live seminars earlier on in my career. Each one was quite informative and had me convinced that I finally could make millions of dollars, but… After the initial hype and enthusiasm of the event faded away I ended up back at square one which was in a state of constant uncertainty, fear and indecision. What's more, I had learned so many techniques that I had a severe case of information overload and didn't know which system to use or trust.

Is there a trader/teacher/mentor that you remember having been particularly influential?

Yes, there is a mentor and he is not what you would suspect. One of my best friends decided to get into the stock market during the big run up in the late 90's. To make a long story short, when the dust settled he ended up losing over $825,000.

Now keep in mind he wasn't a multi-millionaire that could easily afford to lose that much. It was a guy that worked his ass off for 15 years and accumulated a large amount of money in his retirement account.

The bottom-line was that his style of trading was like a "loose cannon" as he didn't adhere to any rules on a regular basis. The two rules that he ignored the most lead to his downfall.

The first was failing to place a hard physical stop in the market. I would always say, "Did you remember to put your stop order in place?" He would say, "No don't worry as I have a mental stop in place and if it sells off to this level I will just get out."

The problem was that the market would hit his exit level and he would say, "Hey, I am just going to wait awhile and see what the market does." The next thing you know, instead of being down a small 5% on the trade he was now underwater 20%.

He would keep doing this as the market went lower and lower and would say, "Don't worry; I know it will bounce back." Well

as you know, when the stock market crashed many stocks never came back.

His second biggest problem was taking on way too big of a position for his account size. For example he had a $270,000 IRA account that he was trading from and would buy 100,000 of shares of a stock selling for a dollar a share. I would ask why he would take on such a large position on one stock and he would say, "I have a good feeling about this one and all I am looking to do is make a small quick profit on each share." You can probably guess what happened next. The stock rose a few cents and then dropped over 30%. So on that one trade he lost $30,000.

The bottom-line is he had no concept of money management and this, compounded with not using stops, caused him to wipe out his retirement account.

Watching him go through this gave me a crystal clear reminder of exactly what not to do. This was an invaluable lesson and has stuck with me to this day.

Another thing I learned is that all he had to do to be profitable was to do the opposite of what he was doing. One time I told him that he should go back over all his losing trades and play a "What If Game". I said, go back and look at all your losing trades and ask, "What If" I simply had used a fixed stop loss and trailing stop for my exits. Amazingly, instead of getting wiped out, he would have earned 20% over that same period!

To sum it up, I learned that much of the time, the markets don't beat us, we beat ourselves.

What did you learn from the early phase that benefited you most?

I would have to say that what benefited me most was the realization that trading can't be mastered by using complicated strategies. After wasting a ton of time and money on all kinds of complicated and exotic systems and software it finally dawned on me that simplicity is the key to winning at this game.

Another thing that I learned is that there is no "Holy Grail" or prefect system free from losses. I always thought that if I studied long enough and spent enough that I would find a way to have little or no losses. The truth is no system is perfect and the willingness to accept losses is a big key to success.

Did you have an "aha" moment in which you suddenly understood what you had to do? Describe that moment, what led up to it, and what happened next…

Yes, my "aha" moment occurred when I realized that all I needed to do was to simply stop making all the stupid mistakes that I was making due to impatience, fear and greed.

What was your most memorable experience from your beginnings?

My most memorable early experience was when I attended a live seminar at the office of George Lane, the creator of the Stochastic indicator. When I walked into his trading room there were about 8 monitors with all these fancy charts and I was completely mesmerized by the images on the charts. To this day I still get a huge buzz looking at any type of charts on a screen.

Was your family supportive of your decision to trade?

No, not really as they didn't understand what trading was about at all. It seemed like nothing more than some kind of gambling. They also weren't happy as I was turning my back on a successful career as a Doctor of Chiropractic.

How did your early experiences prepare you for your later years as a trader?

It took me 8 years of school to earn my Chiropractic degree and this taught me the value of perseverance and that anything worthwhile takes time.

What was your first year trading in FX like? Were they profitable? Was it any different than your first year trading equities, options or futures?

Yes it was profitable, but that was because I already had over 10 years in other markets. I think that if I first started learning to trade in the forex markets that I would have encountered all

of the same problems I initially faced learning to trade equities and futures.

Transformation from a beginner to a successful trader

When did you reach the level of consistent gains?

It took almost 8 years. I know that that may seem like a long time to some traders, but when you consider that it takes 8 years to go to college and then earn an advanced degree. If I had to do it all over again I could cut that learning curve way, way down.

Could you describe your biggest win? How did you feel?

My biggest win dollar wise was when I rode a penny stock from 12 cents to $3.60 a share. I was up something like $220,000 from a tiny initial investment. I was absolutely over the moon ecstatic as many days I was making $10,000. Talk about a high!

My biggest forex winner was riding a trade up over 1700 pips on the cable.

Could you describe your biggest loss/losing streak? How did you feel about that?

My biggest loss was when I let the stock I just mentioned run all the way to zero. I was so focused on thinking the stock was going to $50 that I failed to notice that the market was crashing

all around me. As a result I insisted on not bailing out of the trade as I kept telling myself things would turn around. Well they never did as the company went belly up and was just another casualty of the stock market crash.

I felt like an absolute idiot and I actually gave up on trading for more than a year after that. I just couldn't believe that I could be that stupid. After all I had in my account at one time enough money to pay for my dream car, a Lamborghini Diablo. When the dust settled there wasn't even enough for a cab ride!

Could you describe your biggest mistake? What lesson did that experience teach you?

My biggest mistake revolved around the penny stock I just mentioned. First I was so convinced that this stock was going to at least $50 per share that I failed to notice that the whole stock market bubble was bursting. As a result I never put in a trailing stop which would have helped lock in a substantial profit. Instead I kept 100% focused on what I hoped to see versus what was actually happening. This very hard and painful lesson taught me that if you are hoping, wishing or praying that the market will do something then you are in deep, deep trouble!

What would be your most significant accomplishment as a professional trader?

To net 50% - 100% per year for a minimum of 5 years straight in a managed forex fund.

If you could meet any trader/investor, past or present, who would it be? Could you describe why?

Hands down, it would have to be Warren Buffet. The reason is because he has been so consistent over decades and made all his clients rich in the process.

Did you have a moment when you were disillusioned with trading? Was this a positive or negative experience, and what did you do next?

Yes, I became disillusioned with trading countless times in my first 5 years as it was a constant rollercoaster of emotions and profits. When I was on a winning streak I felt euphoric and when I had a few losses, I would feel totally depressed.

In hindsight it turned out to be a blessing as it made me seek out more efficient ways to trade.

Maturity

How long did it take to develop and to get comfortable with your methods and trading style? How have they changed over time?

I know everyone wants to make money in forex really fast but the reality is that it takes a few years to become really good at it. Yes you can learn a system and start trading in a few days

or weeks, but it takes making a lot of mistakes to really start getting consistent.

It also takes hundreds and hundreds of hours watching the market unfold real-time to get a good feel for it.

It also takes a certain level of emotional maturity to ride the waves of fear and greed. Once again, the more time you spend, the easier it will be to gain this emotional control.

How did your trading systems evolve?

At first it was simple trial and error and also buying every system I could get my hands on. I constantly chopped, changed, combined and tweaked all the systems to find what would work best week in and week out. Initially I kept adding more and more indicators and rules as I thought I could weed out just about all the bad trades. Boy was I wrong! The more complicated things became the harder it was to trade or even find valid trades.

Eventually I got it through my thick head that less was more and I began creating systems that used one or even no indicators. At that point I finally started to see my profit curve rise in the right direction.

How do you cope with emotions today?

For starters I always look at trading as a game of probabilities and therefore expect losses. By simply accepting that those

losses are inevitable, it greatly improved my emotional stability and control. By adopting this mindset I also found that I didn't take trades personally anymore. This made all the difference in the world as in the beginning I took all my losses personally and would beat myself of over what a screw-up I was.

Exercise, mediation and taking breaks from trading also help keep me emotionally balanced.

What do you do to mentally prepare yourself before each trading day?

I always want to have good night's sleep and keep away from any alcohol prior to a new trading day. Another important thing is to always let go of all past losing trades. If I focus on past mistakes I end up doing stupid things.

Before I actually start trading I will look at some different time frames in my charting software just to see where the short term, mid-term and long-term trends are.

That's about it and I also don't spend any time looking at news on TV or reading financial publications. I find they can easily make me form a market bias and that is a dangerous thing. Because it makes me trade what I think is going to happened versus trading what is actually happening here and now.

What do you do to wind down after a long day of trading?

I either take a yoga class or work out with weights for an hour. They really help me decompress and relax. I also find taking a walk through any nature setting outdoors will also get me grounded and relaxed really fast.

What do you do immediately after you lose a trade now?

I jump right back in and take the next trade that comes along. Just like getting back on a bike when you fall off.

What do you think is the main source of your success? What is your secret of exceptional performance?

I would have to say my perseverance and ability to stick with this.

What does it takes to be a market master?

1. Emotional discipline
2. A rock-solid money management strategy
3. Experience
4. Passion for the markets
5. Extreme patience

Today, do you have one system or many? Could you describe it?

I have about 7 systems that I will use at any given time. Which one or ones I use are based on 2 factors. The first factor is, quite simply how much time I have to spend at my PC looking for trades. Second will depend on what type of market we are in.

If I see that things are really choppy then I will switch to a counter-trend strategy and when the trend is clear I will use a trend following strategy.

Do you trade with a discretionary or a mechanical method? Or, do you use more than one method? How did you develop your methods?

I trade both because it helps to smooth out my equity curve. I love my automated black box systems as they help me earn anywhere from 5 – 25% return per month totally on auto-pilot. Regardless of what I am doing they are tirelessly searching for new trades and placing them on my behalf. I also enjoy discretionary trading as it allows me to get more directly involved in my trades.

All the methods I currently use are the result of 17 years of constant testing and I only use the ones that offer consistency and low drawdowns.

What class of market moves do you want to catch?

Whether I am day trading or position trading I just want to get into a trade as early as possible and then simply use a trailing stop to ride the trade as long as possible.

How long did, or does, it (your system) stay in the market?

Anywhere from a few days to a few weeks and if the trade is really in the money I might stay in for months. Sometimes

however I will go into a day trading mode and then my trades don't last more than 8 – 12 hours.

Do you feel comfortable leaving open trades overnight?

Yes, I have no problem leaving trades overnight as long as I have a stop loss in place. Also, to make the really big money you need to be willing to hold trades.

What is the most important part of your system?

No question, money management. This holds true for any system and for any market.

How do you manage money, do you have rigid rules?

Most of the time I don't want to risk any more than 2% to 5% of my capital on any one trade.

Do you have any regrets regarding your career path as a trader?

Yes, I wish I stopped looking for the perfect trading system and just focused 100% of my energy on making a simple system work.

What do you think the role of discipline plays in trading? Do you have formal (or informal) daily routines with a trading plan you follow? What is your solution for consistently following trading plan?

Discipline is an absolute key and without it I can practically guarantee that you will lose all your money in a relatively short amount of time. The way to maintain discipline is to have a well thought out trading plan and stick to it religiously.

What, in your experience, are the three most essential elements of your success?

Without a question…

1. Money management
2. Emotional discipline
3. Experience

Future of Forex

Did you notice any significant changes in the markets in last 2-3 years?

Yes, I think it has gotten a lot choppier and volatile on intra-day charts. This is due to a couple of factors. First with thousands of new forex traders pouring into the market, this creates more opinions and therefore more volatility. Second with all the traders in the markets there is more incentive for professional traders to run the market in the opposite direction to stop out the small traders.

How do you think what the future of speculation in Forex will look like?

I think there will be more interest in longer term swing trades and position trades. The reason is because the really big and profitable trades take some time to unfold in the forex markets.

How has the FX market changed, in terms of trading tactics, over the past two, three, or five years?

I think the market has become more erratic intra-day and this requires bigger stop losses to avoid getting stopped out by the professionals.

Where do you see the FX market being three, or five years from now?

I see more competition among brokerage firms offering tighter spreads.

What will work (meaning, which systems) two, three, or five years from now?

In my experience if a system is designed correctly, it will work all the time regardless of how the market changes. One of the reasons I say this is that when you get right down to it the market can only go up, down or sideways and the only thing that can vary is the duration and intensity of the moves. This holds true for any market.

Where do you see yourself five years from now? Ten years?

My goal 5 years from now is to create and manage a billion dollar forex fund. In 10 years I want to be able to look back and have been highly successful each year by earning large gains for my clients.

Additional questions

What is your most memorable trading experience?

Actually one of my most memorable and satisfying experiences was getting a phone call from a trader in the UK who had racked up 61 out of 65 winning trades using my system in the forex. What's more amazing was that he earned over $200,000 in less than a year and donated it to a village that was wiped out by the tsunami.

What are, according to you, the best systems for beginners (part time traders or people with very little time during a day), how they should start trading?

The best systems for novice traders should be as simple as possible. They should use no more than 2 technical indicators and have just a few rules for getting into trades and a few to exit. Many newer traders assume that the more complicated the better, but I can tell you that one of the secrets to my success occurred when I dropped all the complicated systems and exotic software.

Once they have a system they want to use, they should start out with a free demo account and practice trading until they

can be profitable for at least 2 consecutive weeks. Then they should start with a very small real money account and work their way up slowly. It always a good idea to get all of the inevitable rookie mistakes out of the way when a small amount of money is at risk.

What are the cardinal rules of trading according to you?

Rule 1: Trade what you see, not what you hope to see.

Rule 2: The bottom-line is that the market doesn't care what type of analysis you use or how smart you are - it is always right.

Rule 3: Never hope, wish or pray as that is a sure sign that you are in a bad trade.

Rule 4: When you are wrong, you are wrong and just get out of the trade immediately.

Rule 5: Don't be impatient and force trades to happen.

Rule 6: Never enter a trade without a money management plan.

Rule 7: Have an exact strategy for entering and exiting all trades and never deviate from it.

In addition to being paid money, how else has your trading career created value in your life?

It gives me freedom to do what I want and when I want. It also allows me to help others enrich their lives both financially and personally as well.

You mentioned that you learned the hard way the true nature of trading, when you bought a program on trading commodities. Do you think that many people do the same nowadays?

I think that it happens almost to everyone, in one shape or another – in other words they can get some information through the mail or some website they see. All those sources would be telling them how easy trading is. They buy a bunch of programs and they use them for a little while – and then they realize there is a lot more to being a successful trader than it was initially outlined.

So how can a beginner avoid such disappointments?

One of the key things would be not having unrealistic expectations.

I am actually thinking about two areas: one is not having unrealistic expectations about the time needed to become a good trader. There are a lot of methods you can learn, maybe in a day, two or in a week to get the basic concepts – but it takes a lot of time, when you are literally glued to your computer screen, when you are looking at the charts real-time. There is no getting around those hundreds, if not thousands of hours looking at the screen. The more you do

that, the more you become familiar with how the markets move.

The second area is not having unrealistic expectations about how much one is going to make. In other words, if you have a $2,000 account, you WILL NOT make $200,000 in a year. If you make about 10% a month, that is really good!

You wrote that you were taught to look for market movements that occurred at specific times of day. For example, at certain time of day you were taught to look for rapid reversals. Is it still the same today?

It all depends on what market I am trading. If I am trading the American stock markets, or E-Mini futures contracts – those markets have certain movements that can happen at certain times. It is the same with Forex – there are certain times that things happen… Of course when you are a Forex trader, it is best to know what times have the most movement and that is usually the London session – so the London hours might be the best time to trade. But every market has its own little nuances.

And there we come to the thing I said a minute ago – when people spend a lot of time looking at charts, they start to notice same things happening at certain times of day.

You said that having a trading journal helped you realize that you take trades you should not take and that you were rushing into

trades. Those are quite common mistakes, so what would you tell the traders who have this problem?

The first thing is that they have to have a system that suits their personality (regarding their risk tolerance) and they do have to follow its rules exactly!

But even if a trader has a system that he or she likes and knows the rules – there are a lot of the hours they are sitting in front of their computer and nothing is happening. They want to trade so much, that they would either ignore the rules of their system or they would start trading a little bit of this system and taking other pieces of that system. They are trying to make something happen even though their system tells them not to.

The bottom line is: they have to follow their system and if it is not telling them to place an order – they have to be really patient and do nothing.

And what should beginner traders include in their trade journal?

It would be a lot of basic things. In other words it could be what market they are trading, the time… And when the trade happens – whether it was a buy or sell signal. They might want to write if all their signals were present. For example, if someone is using a system that requires one moving average to cross up, and they have another indicator to cross up – they should make a checklist to know if they include all the steps required by the system.

That might also help to get the routine when entering or exiting the market…

Exactly! Let's say there are ten steps required by a system to get into the market. If they have 10 little boxes that are to be checked every single time, they can always get back to it and check if they had a legitimate trade or not. So that is why a journal might help – they can always go back and check if they ignored the rules.

You mentioned that every system has to suit a trader's personality. What exactly do you mean by that?

Well, some traders are very conservative and others don't mind taking big risks. A particular system might require to risk a substantial amount of money out of your portfolio – not every person would be comfortable with that. People really have to use a method that suits their risk tolerance.

One of the opinions I heard was that a system must be suiting a personality of a trader in another aspect as well – in the aspect of timeframe. It is sometimes said that action-lovers prefer scalping and/or momentum trading, while balanced and calm traders would rather go for longer timeframes.

Every trader likes something different – some like to be in a trade for 5/10 minutes, others like to hold their positions throughout the day or even for weeks. That goes back to what suits the trader's style and trading personality best. But trader

has to use a system or a timeframe that suits not only his or her personality, but also their daily routine. Some people do not have the time to sit in front of their computers for hours and hours because of theirs full time jobs.

You said that your first year was profitable, because you had over 10 years of experience in other markets. What aspect of other markets trading experience helped you the most?

I would say that the first thing was the discipline – I had to learn through a lot of mistakes: it was mainly about following my system. Another aspect was money management – before I get into any trade I know what I am going to risk, and I know what my profit targets are. That way I can determine a satisfying risk/reward ratio. Another thing that helped is that over time you become calmer about trading, you do not let the emotions get in the way that much.

It is said that trading is 80% emotions and 20% execution and technicals, but then you have books on trading that are 80% technical but only about 20% on mental mindset. I think it is the same with seminars and forex courses.

It's really backwards! I have seen many really good technical traders but they kept loosing because their emotions would override their trading abilities. And then you can have a trader who is very stable emotionally and he or she could make a mediocre system work well just because this person has a good control over themselves.

You said that you learned so many techniques that you were overloaded with information and didn't know which system to use or trust. I know that many traders have the same problem, what would you recommend to them?

I have learned the hard way that more is not better. In my early days I thought that if 5 indicators are good, 10 will be better. Over time I learned that less is more!

Whatever system I create do not use more than two indicators. A lot of systems that I use do not have more than one indicator! I try to keep things to an absolute minimum.

Let's move to emotional aspect of trading. You said that your emotions in your first 5 years were like a rollercoaster, up and down. What would be your advice for beginners who feel the same way?

One of the things is not having unrealistic expectations. It is kind of what I said a moment ago – but let me just say that if you are more realistic, it makes things easier for you.

Let's say that a trader thinks that he or she should be able to make 100% return a year. Well, if this person does not come close to that number, that affects the emotions and makes people really depressed.

Another thing that they can do is to realize that losses are part of the game! Take American baseball. To get to the Hall of

Fame you only have to hit about three times out of ten at-bat. But then seven times out of ten things would not work out. You have to be aware of it.

It is the same with trading: You have to accept the losses. In order to be successful you have to be OK with your losses and that will make you more calm.

Would you recommend any particular techniques or exercises to overcome this emotional aspect of trading?

One: you have to make sure you do a lot of exercise. I believe a trader should do some kind of physical exercise every day. That helps to eliminate a lot of tension that is present due to the trading. Another thing that might be helpful is meditation – there are a lot of techniques out there but even 10 or 15 minutes a day would help people get calmer and more focused.

And how do you meditate?

I learned a lot of techniques over the years but it is just a matter of putting on very soothing music, sitting still and trying to make your body relaxed. And there is a lot of techniques out there and they are easy to find.

You mentioned discipline and its role several times. What do you understand by the word 'discipline'?

Discipline is the ability to take action when your system calls for it and follow this system exactly and not deviate from it.

Again, do you know any particular techniques that might help a beginner to get and stay disciplined?

One technique they could use is pretending that they have been hired by a big financial firm to trade a particular trading system. Image that this financial firm is paying you $100,000 to trade this system, and as long as they follow the rules, they have their job! But if they deviate from the system, they will get fired. That is a little mental trick they can use.

If you are trading for yourself, it is easier to bend the rules and not care about how you do things. But if you know you will get fired if you bend the rules – that makes a big difference.

Another thing I wanted to ask about that is related to emotional aspects is the family and the role of support. It was said many times that many traders find it really hard to stay in a good relationship, due to emotions, stress and all that jazz. What would you recommend to them?

I think that they have to know when to get away from the trading. It is very easy to spend all day and night watching the markets and learning new techniques.

You said that they were not that supportive at first...

I guess they saw the time I was spending on it and they were aware that I wasn't making money on a regular basis!

And how is it now?

Oh, it's really good now! They have seen me turning things around and being really successful at trading. But a good thing to do is to try to educate, let's say, your spouse on what you are doing, try to get them involved – once they understand it, it is more likely they are accepting the fact you are a trader.

Ok then, let's move to more technical aspects of trading. You mentioned that you started creating systems that used no indicators at all.

Basically you can trade just based on price bars charts. There are all kinds of patterns that happen in the market, like double tops, double bottoms, support and resistance, triangles… There are a lot of those formations on the charts.

The reason they might sometimes work better than indicators is the fact that indicators lag the market. In other words, they do not give you a clear signal – they might give you false information. And when you look at the charts, you get the most current, up-to-date, real-time information.

Let's talk about your systems – you have a few. Can you say a little bit more about them?

Well, the first thing is that I have three systems as different traders got different styles. Some people like more technical systems, others like things kept as simple as possible, and so on.

I have one program that I have been teaching since 2003 and I have been trading its concepts way longer than that. The program is called "Trade Secrets" and this is as far my most advanced and versatile program. When I say advanced I do not mean complicated, but with many strategies and concepts included. There is a bit more of a learning curve on this one but there are a lot of different setups. I originally developed it for the stock market but then I realized that it works in all markets! You can use it for shorter timeframes, longer timeframes, swing trading, option trading, you can even use it for buy and hold strategies. So you get a complete package.

But even though it might sound complicated, I try to keep things simple. It uses only one indicator (the Stochastic indicator) and I developed some little nuances for this system. That is about it for this system.

So let our readers know a bit more about your other systems.

Another program is called Forex Profits. It is much simpler to learn and most traders will get a hang of it in about an hour. It uses one candlestick pattern and indicator (MACD) but I have to say I use it in a different way than other people do.

So it is a really good thing for novice traders at it is a really easy thing to learn but I also have traders with 5 or 10 years of experience that are still using Forex Profits. I have one trader from Australia that turned $1 million dollar account into $2.8 million in about 8 weeks! I have seen his account statements and …wow! Of course that is a top league and he is having a lot of capital to trade.

Is that the trader mentioned on your website?

Yes, it is. And then I should mentioned that I have a trader in UK that is using Trade Secrets and he made 9,000 GBP into over 100,000 GBP in less than a year!

But to be fair with the readers – trading takes a lot of work. He spent a lot of time on learning my system and all its nuances. And what I found that is common to both these traders – they have phenomenal discipline. They are both unemotional while trading. So this are a combination of education, learning the system thoroughly, discipline and perfect mental mindset.

For some, those results might sound impossible.

Yes! I do not want to mislead anybody – they are exceptional and most traders out there will never be like them. As I said, they are the perfect combination. For example, the Australian guy have been trading for 9 years before he started trading my system.

And what about your third system?

It is called The Ultimate Forex System, and it is another simple one. It uses just one indicator and one candlestick pattern and again, it is very easy to learn. But its particular candlestick pattern suits some people best.

Well, I have another system coming out in the beginning of 2009 – it will probably be my most advanced one.

So why do you create another program, if the ones you have are working fine?

Well, that is a good question. I noticed that some traders… Oh, we just had an minor earthquake here in California!

Are you OK?

Yes, I just want to check if things are ok around the house. Can you call me back in 15 minutes?

Sure, no problem.

[after about 15 minutes]

Is everything ok now?

Yes, but I just checked on the news, it was about 5.8! It was felt for hundreds of miles. Strange sensation, if you have not been through that.

I have never felt it, there are not many earthquakes here in Europe…

Lucky you… I saw walls shaking when we were talking! But it's ok now and we can finish the interview right away.

Ok, that's great! You were talking about your last system, but maybe we will leave it for the readers to discover when the system is out, or for another interview?

I wanted to move to another aspect of system trading – what do you have to do to make a simple system work?

When a system uses as few indicators and as few rules as possible - in order to succeed we have to go back to the aspect of being disciplined and being in control of your emotions.

Another thing that makes a simple system work is a good money management part of it. So for example, when a trade hits a certain loss level, you just get out of it without question.

Another really important thing (and that is what many traders do not do) is to be patient enough to allow the trade to work in your favor. Many traders would be just few pips over and they would bail out as they get really nervous. And then often the trade goes significantly up and this person is not earning what should be his.

And speaking of stop losses as part of a proper trade management, there are some people that prefer having their stop loss 'in their mind' only. As I understand, you are against it.

There are two aspects of it. When you are a trader that cannot sit in front of the computer all the time, you have to put in your stop losses to be protected if something goes wrong.

And if you can sit there and watch the market – there are a few strategies. One is to have a stop loss in the market but far away from where you would normally put it. That is because many traders like to put their stops at or just below the support/resistance line – so the theory is that where a lot of people put their stops just there, it is a lot easier for bigger players, to stop all the traders out of their positions.

But to sum up – most people do not have the discipline and they should be putting in their stops. If not, you have to have the discipline to make the execution when the price hits your mental stop. Many people don't have what it takes to do that.

I would just like to add that there is a tendency among the beginners: they hate to lose any money at all. So they are putting their stops too close because they are afraid to lose money, and they end up losing even more money.

Ok, let's move to another aspect of trading – your automated black box system.

It is something that was developed by a friend of mine. However I used it a lot more when I answered the initial questionnaire – now after a few months I don't. Why is that? Well, the account after a few weeks was up 30%, but what was

happening was that we observed huge intraday drawdowns. Even though we had a few massive losses, we ended up netting about 30% a month.

The bottom line is that we realized that there were too many big swings and we decided we will stop with that system.

And are you planning on releasing your own robot?

Yes, but I need some top level programmers to do that for me and it is really hard to find them. As I mentioned briefly, I will release my next system soon but I need some programming to be done.

But one thing about robots is that everyone wants a robot, but not many people feel comfortable letting a robot placing their orders for them.

And do you know any robot that works?

I looked at a lot of them over the years and the problems with robots are either they have those massive equity swings or they work well for a while and then just stop working at all.

I have heard that robots can behave in a different manner when executing trades live compared to demo accounts.

Yes, that is sometimes true.

Please keep us posted on the robots you are planning to release. But let's move forward - let's talk about money management rules.

Well, before you get into any single trade, you need to know how much you're risking. That is the first question I ask myself: how much am I going to risk and if it's out of my risk parameters, I just won't take a trade. In the strategies that I teach, all the risk levels are flexible. And of course to sum it up, let me just say that a lot of risk depends on a timeframe – the longer it is, the bigger is the risk.

And the risk/reward ratio is extremely important – for example, if I risk 20 pips, I try to make 40 to 60. Then if I am wrong even half of the times, I would still make money.

And you mentioned this rule of not putting more than 5% of your capital at risk…

Yes, but I would say that in such a volatile market as Forex – this rule is must be about not risking more than 2% or 3%.

Are there any other rules?

The biggest issue is capital preservation – at all cost. So even when you hit a series of losses – you will not burn your account.

One of the questions we asked was: "What does it take to be a market master?" I know that it is a somehow tricky question and every expert's answer is different. One of the points on the list you gave us was the passion for the market.

As far as the passion is concerned – the market you are trading has to fascinate you. Do not trade a specific market just because other people are there – for instance, now everybody seems to be in the forex market but if it is something that does not appeal to you or you are not passionate about it – don't trade it!

Some people love trading commodities – they understand what oil or cocoa or corn future contracts are. If you are this kind of person – do not hesitate to leave forex behind.

And how to maintain your passion after some time? You might lose it somewhere on your career path.

I guess you have to take breaks from trading, take your vacations, take a few days off from trading every month.

Another way is to surround yourself with a group of traders that love trading.

And when you are disciplined, you follow your system, you will not be on this rollercoaster that often distracts people from trading.

I wanted to ask you about the issue that is quite important for all the beginners: brokers. What factors should a beginner take into account when choosing a broker?

Well, one of the first things is that you have to make sure that the broker is in one of the major financial centers, like the UK or

the US. You do not want to give your money to a broker that nobody heard of, or a broker that is located on a small Caribbean island. There has been a lot of scammers like that and we have to learn from other people's mistakes.

The other thing you should think of is the spread. Even a 1-pip change could mean a lot. It adds up very quickly for a trader who trades a lot.

And what is your opinion on brokers hunting stops, putting stops and all that?

Well it does happen but you need to do some research first. Check what broker seems to be the best on the forums.

Also put your stops not where everybody else does! Their stops hunting will not affect you at all.

In one of your articles you mentioned a rule of not trading with so called 'scared money' and that you learned this the hard way. Can you tell us how?

Back when I started I didn't have a lot of liquid cash. All my money was tied up with supporting my family, paying the rent and so on. I was on a tight budget. Even the money I traded with should be going for something else… Well, money was tight at the time. I would always be worried about that capital. So that is why people call it 'scared money', because you are scared you are going to lose them.

And when you are scared you will lose your money, you are not thinking straight and that affects your performance.

Many people say that a trader needs to treat his forex trading as a business: first create a plan and then execute it point by point. What would be your advice for beginners regarding that plan, how should it look like?

Well, I would say that a short version of that plan would be as follows: the first point is - find a system you like. Learn every little nuance. Then paper-trade until you are profitable for about 4 consecutive weeks. Next step would be opening a mini forex account and again, try to be profitable for about a month. Then slowly keep building your capital and your confidence.

Take your time - that is probably the best plan ever. Make small goals. And again, don't let your expectations be too high. Be in those 5% of the people who win, not in those 95% who lose.

I know I am always asking this during the interviews, but – why do you think the statistics are that horrific? Why 95% of the people lose?

The first would be bad money management… They do not let their winners run long enough and they let their losers run too long. And risking too much on a trade.

The other thing is lack of discipline and not following the rules.

Another would be that they simply do not have the experience. And you are not experienced after one or two months!

Another big one is another emotional aspect: being devastated after a loss or a series of losses. And it is not the way it should work – losses are a part of this game. This trader from Australia – he does not have a lot of losses but when he does, he treats them like something normal. And he always comes back, every single day, no matter what.

You mentioned that you both are setting up some kind of managed account?

Yes, we have been doing it for a couple of weeks, we are just getting started. We will be using a London broker. He will be a primary trader and I will provide analysis for him.

Many people think that a forex managed account is a great way to diversify their portfolio.

But how to spot scammers?

First of all you have to make sure that it is organized through a major brokerage firm. You can never ever give money direct in the name of that person running the managed account.

So when you open an account with a respected broker, the money goes to a segregated account and you have full control over that money.

You have to get real account statements – that is essential as well.

If you want to take it a step further – you can ask for audited account statements. There are independent firms that verify if all account statements are true and that is what we will offer to our clients wanting to open a managed account with us.

The last thing would be checking the kind of style of the trader… In other words – what kind of risk the traders is willing to take. For instance, there are some managed accounts that are profitable but they have some massive equity drawdowns like 60% or 70% – and not everyone likes having this kind of rollercoaster.

What would be you final advice for beginners?

Keep it simple! It does not sound exciting but all the successful traders have that. Don't look at too many systems, markets, currency pairs… Maintain complete discipline over your money management and emotions. Understand that the system is the least important part of the equation. That's it!

Is there anything else you would like to tell our readers?

I know I am going to repeat myself but:

Take your time

and

Don't have unrealistic expectations.

It takes years to get a doctors degree, but that time is well spent. So mastering the market will not happen in a few months either, it takes years, but it is worth it!

Just one last question. In the questionnaire you said that in your early days you almost bought your dream car, Lamborghini Diablo with the money you almost made! So now, being a successful and well respected trader and mentor, did you manage to buy it?

I haven't bought it… yet! It is an expensive car, but I am getting there. You know, it's money management again – you do not want to spend too much money neither on a trade nor on a car!

But in the end you will?

I am sure I will!

Thank you very much, Jeff.

Thank you.

Conversation with Steve DeWitt

Steve DeWitt started his career as a Forex trader in January 2001, after taking part his first FX seminar. Within two months he lost a sum $20,000, borrowed for his initial capital.

After reaching a lever of systematic gains he became a certified trainer for an educational Forex company where he trained thousands of students worldwide.

He won several international trading contests;

"The Biggest Forex Contest Ever" - 1st Place Prize was $20,250.

"Forex Mini Contest" - 1st Place Prize was a Mini Cooper car.

Steve entered a total of 20 trading contests; 7 first place finishes - 5 second place finishes - 3 third place finishes.

In 2005 he decided to bring his trading experience to the public by starting Forex educational company www.forexconfidential.com where members receive complete training through on-demand videos followed up with daily "LIVE" training webinars.

His motto is: "Opportunities do not come to those who wait. They are captured by those who attack." - General Patton

Steve can be reached by steve@forexconfidential.com

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Beginnings

When, and in what circumstances, did you consider trading as something for you - for the first time?

I started trading in 1989 when I was introduced to the commodity market. From there I went into scalping stocks and finally in 2001 was introduced to the Forex market where I have made a full-time income now for 3 years.

Could you describe your first system? Did you construct it by yourself or took, modified someone else's? Was it successful or not? Could you describe why?

My first "personal" system was a Forex momentum system where I traded off of the 5 minute charts looking for 10 to 15 pips a trade. This system was made up of different styles from 3 or 4 other existing trading situations. It was and is to this day successful. However, there is a "feel" that the trader MUST have and to be honest with you most traders never feel that intuition. We now trade and teach longer term trades which are more mechanical and a lot easier to grasp.

If you initially lost, what caused you to stay in the game?

When I first learned of the Forex market, I was mesmerized by all the hype out there. You know what I am talking about. You receive an email that states, "We will teach you how to

perform 50 straight trades without a loss". Yeah right. What kept me going? I loved trading Forex and I knew that if I stuck with it I would become successful.

Was there any memorable experience that determined you to trade further?

I had "some success" and I realized that if I had some success then the opportunity for profitability was real. All I had to do is find the right puzzle pieces and fit them together.

What motivated you at this time? Did you have any external support at this time (friends, family, mentor, maybe a book)?

The only external support I had was the idea that I did not want to go to work for any boss so I wanted this to work for me. The power of a positive mindset goes a long way.

What was your next system? Why did you change your first one, do you remember?

My next system is what I call 240FX. This system is a profitable trading system which we trade off of the four hour charts. The reason why we went to a longer term trading system is easy; we wanted to have longer term trades so we did not have to sit in front of the computer all day. Also, with a longer term trading plan there is less stress involved as the little moves of the market do not affect us.

Did you have any system for tracking your performance at this time?

Yes, we call all of our trades in our "live" workshops and send them to our members so they can see the trades for their education and if they so elect they can also enter the trades with us.

Did you write any trading journals? How did you analyze it? Was it really helpful?

No, I never have kept a trading journal.

Did you have a high level of emotions/stress initially? How did you cope with it, what worked for you? Please supply details if possible.

When I first started to trade I had no idea of the emotions I was about to face. Once I entered in to real cash trades, the emotions ran crazy. It probably took me 2 years before I understood that the brain plays such a major role when we trade. Once I caught on that the mind likes to play tricks on us, by tricks I mean fear, greed, and revenge, I could calm my emotions down and let the trades unfold without my emotional interference.

Did you attend any trading seminars/training sessions? Could you describe it (if any) in detail? Were they helpful? Which part was particularly helpful?

I have attended many – too many to count – trading seminars. I must say that most are a waste of time. What generally happens is a person gets sold on going to a seminar. They attend the seminar and listen to some self-acclaimed guru touting their trading style while all along they don't even trade their own system. They are just trying to sell you something. Be careful of the sharks out there.

Is there a trader/teacher/mentor that you remember having been particularly influential?

This is actually a funny and lesson learned story. I was being mentored by a person out of Canada who was known as a genius economist and excellent Forex trader. I sat with him. I listened to every word that came out of his mouth, and he helped me along my journey of becoming a successful trader. I find out later that he could not trade nor did he ever trade for profit – again, be careful out there. The funny part is – here is a guy who really knows nothing about trading Forex but sells the idea to everyone that since he had some euro name and had a euro accent that he knew what he was talking about. However, I did learn some things from him. LOL, go figure. Oh, his company, went under as people found out the truth.

What was your most memorable experience from your beginnings?

Picture this. It is a Friday morning. I am sitting in my home office, computer on and mouse in hand. So I am all ready to trade. I

have my "standard" account opened up with the suggested $20,000 which by the way I borrowed from my Dad.

Let me back up for a sec and tell you about the course I took to lead me up to this memorable day of trading Forex.

While I was busy building, one of my new a friend of mine, Andy from Florida told me all about this incredible company that teaches you A to Z all about trading Forex for pure profit. I told Andy, "No way Andy. I tried it once and could not make heads or tails of it." He assured me that no matter what, I would be successful.

The Forex training company which was/is located in Virginia hyped their services by telling prospects that they would teach them how to make 50 trades in a row with no losses. They set you up with a mentor who will be there every step of the way for you.

So I dished out $5,000 to pay for the course. Bought round trip airfare from California to Ohio where I was involved in a weekend training course. Once we (we=me and other students) completed the weekend course, we learned about some weird "bird" method, we were assured that we were ready to trade live on a standard account. WOW! Go right from training to a live standard account. Of course at the time I did not know any better. Looking back - what an incredibly stupid thing to suggest to anyone new to Forex.

So, let's get back to that one day from hell. I am watching the charts and I get their "bird" set up so I dive in. The trade starts to slowly go in my favor, up $200, then $400, then $600. I am digging this Forex gig. YAHOO!!! All of a sudden craziness happens. I am up $1200, then $2200, and then $3200. My emotions shoot through the roof. I have found the mother lode – the frikin' holy grail. Life is great and getting better with each second that passes. Up $4,000….$5,000….$6,000.

This can't be real – can it? Up $7,000 and then $7,800.

It could be real if you are on the correct side of things – right?

What I am about to tell you changed my life forever. As I am sitting in front of my monitor thinking about how great life is – I glance over at my trade station and I am down $2,000.

What??? That is impossible I am up $7,000 not down.

I think to myself, it must be a smooch on my screen. But no there it is… Now down $2,500. I freak out and get out of the trade. WHAT JUST HAPPENED??? OOOOPPS!!!!

The course I just took forgot to tell me about announcements… Especially the first Friday of the month Non-Farm Payroll announcement. You think that they left something out of the training. Even my 6-year-old knows about freaky Friday.

Oh, the name of that course I took, "How to lose $20,000 in 60 days or less", subtitled, "$20,000 that you borrowed from your Dad"

I have no way of telling you how this one event changed my life forever. I went from total utopia to incredible financial depression in minutes. I not only lost hope of being a profitable trader, but now I owed my Dad $20,000. Holy smokes, Batman.

What did you learn from the early phase that benefited you most?

Not to trade while the Non-Farm Payroll announcement was coming out.

Did you have an "aha" moment in which you suddenly understood what you had to do? Describe that moment, what led up to it, and what happened next…

I understood that I could learn how to trade Forex in a day but it would take me a lifetime to master. No one "masters" the Forex market. What we can and should expect, if we put in the time, is to be a profitable trader. And really, isn't that what we really want – profits?

Was your family supportive of your decision to trade?

Not at all. My father thought the Forex market was a big scam as my brother did. Of course now, my brother has changed his tune. "Hey Steve, can you teach me how to trade?".

How did your early experiences prepare you for your later years as a trader?

From past experience I found that we as traders are vulnerable to the market. All we can do is put together our information/research, try to place the law of probabilities on our side, and then let the trade unfold.

We are foolish to think that we have any control of what the market will end up doing. However, with enough knowledge and education of the right systems we can become profitable.

What was your first year trading in FX like? Was it profitable? Was it any different than your first year trading equities, options or futures?

I was not profitable. Sure, I had winning trades, but overall, I lost money. I loved trading so I treated it as a hobby until I found something that actually worked on a consistent basis.

Did you have a regular job? How did you reconcile trading while having this job?

While I was trading in the early days I was not profitable. So I had to have a source of income. Back then I was a network marketer and doing well so losing a few bucks in trading was no big deal. As far as actually trading time, since the Forex market is open 24 hours a day a person can always find time to trade.

If you could do it all over again, would you take a different learning path, or are you satisfied with the route you have followed?

Great question. If you could believe in a person who told the truth about trading and had a dependable trading system then I would have gone that route. I am ok the way it turned out as experience, good or bad, is the best learning tool. This is why I started Forex Confidential. To be a stand-up guy and teach people who want to learn what I believe to be one of the best systems available today - 240FX.

Taking into account your actual experience as a trader – do you have any suggestions for beginners?

DEMO, DEMO, DEMO!!! Find a mentor who will work with you until you become the success you want to be.

Please give us 3-5 most dangerous issues beginners are facing today. Do you know solutions to these problems?

- Rushing into a live trading account
- Bad money management skills
- Not understanding the emotional side of trading
- Trading to much
- Jumping into trades just to "be in the market"
- Revenge trading
- Greed
- Fear
- Want me to go on?

No thanks, it will do!

Oh, by the way, in all of these areas an individual can become good at and understand to be that good trader they want to be.

Do you know someone who lost much? How did that happen? Was that a valuable experience? (for him/her/you)

Well, you read my story above about losing $20,000 of money that I borrowed from my dad. That was a personal situation that took me quite a while to overcome financially and mentally.

I have heard of people losing big money but it seems like every big loss has a very good reason why. No money management was followed, or no stop loss was used for protection. If you follow the rules you will be safe.

Transformation from a beginner to a successful trader

When did you reach the level of systematic gains?

If you are asking about a trading system that produced consistent results, that was about 4 years ago. Yes, January of 2004 when I traded my momentum system for profit. Currently

I trade a longer term profitable system called 240FX which I started in November of 2006.

Did you try different systems of trading (trying a system means using it in real market conditions minimum two weeks): scalping, intraday, mid-term (position open up to a week), long-term (from week to month).

Yes, I started of conducting short term momentum trades where I traded off of the 5 minute charts looking for 10 – 15 pips a trade. Starting back in November 2006 I went with a more of a mid-term system where I am in trades from 8 hours to several days.

What timescale works best for you (scalping – minutes, long term – months)?

I love the hourly and 4 hour charts.

Do you combine systems (for example: long-term entry using intraday or scalping)?

Yes, there is nothing like taking a nice mid-term trade and letting it fly for a few weeks.

Could you describe your biggest win? How did you feel?

Well two different wins come to mind. The first one I do not suggest trying for anyone. I was trading the Non-Farm Payroll Report. I just knew it was going to be bad news for the U.S. so I

bought the EUR over the USD and wham-o, grand slam as I literally made $20k+ in minutes!!! I do not trade announcements any longer… Way to much risk in my opinion. My best mid-term trade is one my system caught on the GBP/JPY for 1,250 pips!

Could you describe your biggest loss/losing streak? How did you feel about that?

You already heard it… $20K in 60 days trading.

Could you describe your biggest mistake? What lesson did that experience teach you?

Tough question. First you will find that I am a straight up guy with no fluff. There have been many mistakes… Too many to mention.

I think the biggest mistakes that I have made over the years is "jumping" into trades trying to catch the ride. When we as traders see the markets start to rock n roll it is easy for us to say, "I WANT IN" when we should say, "CAUTION".

What would be your most significant accomplishment as a professional trader?

First becoming profitable followed by the ability to teach others how I trade.

Did you have a moment when you were disillusioned with trading? Was this a positive or negative experience? What did you do next?

There are times when I start to research the charts and they don't make any sense, or, perhaps I am in a bad streak. During these times it is easy for us to rethink what we are doing. I just remind myself that these thoughts are normal, don't freak out and then I get back to the basics.

Maturity

How long did it take to develop and get comfortable with your methods and trading style? How have they changed over time?

Let's see, I started in January of 2001 where I was a consistent loser. From there I started putting together my own trading methods. Back then it was all about looking for a few pips. Currently, I trade longer term trades which are less stressful, and less monitor watching is needed.

How did your trading systems evolve?

I slowly added new indicators, removed indicators, added here, took away from there, tweaked this, and tested that. A long process that has resulted in trading success.

How do you cope with emotions today?

I always remind myself of how emotions can cause bad trading decisions. I do two things before I trade:

1. I meditate about making the correct decisions. Not so much mediating on winning trades but how I will react to negative trades.

2. How I will handle my emotions during active trades. I also watch my video from time to time.

Do you add to a winning position (compound)?

At times but not often. When I am already rocking in a nice trade and the trade has broken through some major barriers I may add to it.

What do you do to mentally prepare yourself before each trading day?

Already above

What do you do to wind down after a long day of trading?

Spend time with my 3 sons (sounds like a T.V. show), ages 6,7, and 9. We do games with their homework to make it a fun learning experience. I also like playing with my three dogs, Joe-Joe the Pip dog, Pisa, and Fibonacci.

Of course spending as much time with my incredible wife is always at the top of the list – I LOVE YOU HONEY!

What do you do immediately after you lose a trade now?

I don't do anything different after a losing trade than I do after a winning trade besides analyzing why I entered the trade to see if I made a poor decision or did the trade just go against me.

I know that 35% to 40% of the time I will have losing trades. It comes with the territory.

What do you think is the main source of your success? What is your secret of exceptional performance?

EXPERIENCE BY FAR! I don't really have a secret to success. Mental management plus money management plus a solid trading system = success.

What does it take to be a market master?

Sorry, but my belief is they do not exist. Not a Market Master. That phrase gives one the idea that a person always knows what is going to happen – this is just not possible in this industry.

Today, do you have one system or many? Could you describe it?

I have two steady systems.

One is my 240FX system where I trade off of the 4 hour charts. I use 4 indicators and when 3 of the 4 tell me to trade I react. I follow that trade with sound stop loss practice and a solid mental attitude.

Trade style 2 is my Jail Break system. This is a trading style that I "set and forget" for trades to trigger while I am sleeping. The system is consistent and it is sweet waking up to winning trades.

How do you prepare for a trading day (possibly in detail)? People meditate, use affirmations, NLP techniques, relaxation techniques, they work with imagination etc. What do you use or suggest?

A trader needs to do whatever it takes to get in to "their" trading zone. It takes confidence, discipline, and a winning attitude to be successful. Keep your mind in acute focus and you can be profitable.

Before you trade – dial your mind in – You Can Be A Winning Trader!

Do you trade with a discretionary or a mechanical method? Or, do you use more than one method? How did you develop your methods?

I have a mechanical system which by itself is solid. With that being said, I like to add discretion to help me stay out of possible bad trades.

Do you feel comfortable leaving open trades overnight?

Yes, I do it every night.

What is the most important part of your system?

Discipline.

How do you manage money, do you have rigid rules?

Yes, max traded is 2% of my account in any one trade. I have a full video of our money management system for our members to follow. We have a tool in trading. And it is as important to us as a hammer is to a carpenter. Preservation of our trading capital is key to longevity in Forex.

Do you have any regrets regarding your career path as a trader?

Not one. In my opinion it is the world's best business. No bosses, no phone calls to make, no time clocks, no sales… Just me and my charts.

What do you think of the role of discipline in trading? Do you have formal (or informal) daily routines with a trading plan you follow? What is your solution for consistently following trading plan?

Discipline: The ability to follow a system on a consistent basis. To have self-control.

While trading in the Forex market, or any market for that matter, you must exercise self-control. Without it you will be a hog at slaughter.

In order to achieve greatness in anything we do in life we must be prepared to study constantly and practice religiously in order to reach our goals. Get involved with an online trading community and trade with a group of like-minded individuals live which will escalate your personal discipline.

Be strict with yourself in the Forex arena and you will have the opportunity to create nice profits. Take what I say as gospel, and have willpower.

Willpower you ask? Oh yes, the Forex market will tease at you to do things that are not conducive to your profitability. As the devil tries to import you into his dastardly deeds, the Forex market plays with our mind to try and make us stumble. Stay with your system. Stay with your mental and money management. To have discipline is to have success.

How did you learn discipline? Were there any particularly helpful exercises?

This was an area that was never taught to me. I developed my own discipline work ethics by experience. Looking back it is a huge surprise that educational companies do not teach discipline. Is it possible that these sellers of Forex information and ebooks really have no clue of what they are talking about?

What do you suggest to a beginner – how can he learn discipline fast? Do you know any exercises, systems, techniques etc?

Yes, first get hooked up with an experienced trader to mentor you. This will help cut down the learning curve of understanding discipline. Notice I wrote understand discipline. In my opinion, few traders if any, actually master discipline. You will need to develop your trading discipline.

We as traders must constantly be aware of where our discipline level is at. Discipline separates winning traders from want to be winners.

We must, always be on the lookout for emotions such as greed, fear, and revenge that will tug at our discipline and try to distract us from making good solid trading decisions.

What, in your experience, are the three most essential elements of your success?

That is easy: Mental Management, Money Management, and of course Discipline.

Do you have a chosen currency pair? Could you briefly describe its characteristics?

Not any longer. I use to trade mainly the EUR/USD as it used to follow the GBP/USD fairly closely and actually at times would move after the GBP/USD moved so we could time our trades accordingly. Any more though, the currencies are not so much in sync like they once were. Now, it is all about following my system.

Some people say that large players (banks, funds) manipulate price by causing false moves. A lot of traders (especially beginners) have problem with that and loose significant amount of money as they learn from widely available books. Could you comment on that?

No, we have all heard the stories but I have no way of proving any of this actually happens.

Future of Forex

Did you notice any significant changes in the markets in last 2-3 years?

Yes, we have experienced times of massive trends, and other times, such as now (February 2008), where there is some indecision in the marketplace in have channeling. The market is always changing and the key is to change with the market. Study the market and understand how your currency pair moves. This alone will help you on your road to success.

Where do you see the FX market being three, or five years from now?

I believe that the Asian market time slot could be the biggest mover of currency pairs.

Where do you see yourself five years from now? Ten years?

Good question. 5 years from now I see myself still trading and teaching other this incredible skill. 10 years – I am thinking a beach, sounds nice – perhaps Hawaii.

Additional questions

What is your most memorable trading experience?

I was trading one day about 4 years ago when a light went on. It was the light of discipline and how I finally realized how important it really is to trading.

I mean, we hear about discipline, but do we truly understand its importance? My "aha" moment sent me reeling. I finally realized that all I needed to do was to stay within myself, follow my system and stick to my money management techniques and I could make a fulltime living in Forex. Here I still am 4 years later achieving all of my financial goals.

Congratulations!

What are, according to you, the best systems for beginners (part time traders or people with very little time during a day), how they should start trading?

Get trading on the daily charts with system that you can understand. Start trading on a demo/practice account until you are comfortable and are trading for profit. At that time, go live with a small mini account. Once you are consistently profitable on your live account step it up a bit and rock and roll.

What are the cardinal rules of trading according to you.

1. Do not trade with money you cannot afford to lose.
2. Do not over trade your account.
3. No revenge trade.

In addition to being paid money, how else has your trading career created value in your life?

Trading is a lot like life. You must have patience and you must have discipline. These two things are essential for growth whether you are talking trading, or you are talking about your life journey.

How much time (in hours) do you devote to trading every day?

Trading, about 2 to 3 hours. Training others, about 7 to 8.

Best trading books for beginners (3 or 4 will do).

The usual classics: The Disciplined Trader by Mark Douglas followed by his book, Trading In The Zone. Then subscribe to an ongoing newsletter… Ok, pitch time… Try my newsletter "Pigs Make Money, Hogs Get Slaughtered".

Which system of Money Management is best for beginners?

That is simple. Expose 1 – 2% of your account – NO MORE!!!!

How to best use demo trading in building competence? Some say that demo can build bad habits, what is your opinion on that issue?

You must trade your demo account as if it is real. This will set your trading mind up with go trading habits.

Unfortunately people subconsciously know they are trading with fake money so they break rules as they practice and this breaking of habits tends to creep into their live trading.

Do you know about documented situations when brokers or large institutions play against their clients (closing positions – stop hunting etc)?

I have heard of these activities, however, these stories are becoming less and less due to the NFA stepping in to help regulate the market.

Let's cover your beginnings. You said that you started with commodities, then moved to scalping stocks and finally were introduced to Forex about 7 years ago. Am I correct?

This is true.

So do you think your experience from other markets was helpful in your forex trading?

I think that the psychology of trading, the mental aspect is pretty much the same in every market. I believe that in FX the mental mindset, especially for a beginning trader is probably more important as the market is so liquid and so quick in acting that your emotions go along with it. However building a base, from other personal investing experience, is going to give you the mental structure you need to start.

I am asking because many forex traders started with other financial instruments and then moved to forex, attracted by its characteristics.

Yes, the other markets have been out there longer and are probably more available to individual investors. The Forex exchange market is relatively new compared to stocks or commodities.

You said that traders must have intuition to be successful. You are actually one of the first traders we spoken to that mentions intuition as something of that importance. Many of them were talking more about other aspects. Could you tell us more about that?

One of the major styles in FX is scalping or 'momentum trading' and with this a trader have to know when to get in and out of the trade. Sure there's a lot of people selling systems on how to do that. But when you are talking seconds when scalping, looking for just a few pips you really need to know not only how that system works but when it is going to work before it happens, so you are prepared. I truly believe that when someone enters the foreign exchange market, especially if there is going to be scalping and/or momentum trading, they need to build a relationship with the currency they are trading, to understand its movements, how quick it can move, what kind of rollercoaster ride does it go on. So when a person knows all that, has some sort of intuition on what it could and what it might do next – I think that is extremely valuable.

I guess one of the reason it is not brought up is because not everybody has this intuition in the marketplace. With experience and growing, a person can find that intuition. That's why I suggest more people should stay away from momentum trading and go for longer timeframes as there is less intuition needed.

But is there any chance that a beginner can learn or practice this feeling, this intuition, or you are just born with it and you can do nothing about it?

I believe that you can practice it and get a feel for it and that's why most trainers will tell you to start with a demo account, get a feel of the marketplace.

I believe practice, practice, practice is a necessity. And some level of intuition will come with it. I don't know what but that's why we want you to practice to see if this market is for you and to make sure you have gone over the system, gone over some aspects of mindset for trading and money management rules and all the things needed to prepare yourself for the live trading.

And about demo trading – from all the people we interviewed, some recommend demo, some don't. For instance, people say that it can build bad habits and recommending a micro account instead. So that even if you lose, it wouldn't bother you that much.

There lies the question, because if you are risking that really doesn't matter than it actually is a demo account. It is not going to play your emotions anyway, fear or greed and all the emotions that come along with trading. You are not going to feel those until you are ready to become a serious trader.

But still, they say it's real money you are trading. And even if you don't care that much about it, if it is some cash you have to spare you are still trading real money. Your money. And you will feel something. That's what they say.

I understand but my opinion is that one should start demo trading for many, many different reasons.

One is to learn the ins and outs of the trade station itself, what buttons to push and when to push those buttons. How to work the actual system that we are trading. You don't want to learn it on a live account, you want to learn that before you start trading actual money and then once you are confident that you understand the system and how your trade station functions – at that point go live.

I do agree that once you make that step you have to do that with a small amount. But that is relative to the person – it could be $500 for one individual and $5000 for another. It's like when you leave a stop sign with a car, you don't gun it – you pull out slowly.

Did you have any times of hesitation when you started that you wanted to drop trading and never go back to it?

Sure, I think when you take your first series of losses it certainly puts a big question mark on what you're doing, you lose both your feel of a marketplace and your confidence. Once that happens you may question your situation.

You have to enter the market with positive attitude and confidence, which doesn't mean overconfidence or cocky. That just means you have to understand that there will be losses along the way but you can adapt to those losses. That will help you to go through any pitfalls or series of losses that may make you hesitant. We do take losses, it's a part of the game.

Many people experience those negative feelings and don't know how to fight them. Do you recommend any techniques?

In my early days there was really no help. Different courses that I took didn't dive into psychology or anything like that. I knew deep down that it's like with life, you have to take your bumps so for me giving up wasn't really an option. I knew that there are people doing money so why can't I? So persistence was the key word, just keep on going even though I knew that I would take mi hits along the way.

So accepting the fact that you will take losses is a huge part of it.

I have some questions regarding your system – 240FX. What is it based on?

I can tell you we trade of the four hour chart. There are several reasons why we do that. In my opinion it is easier than momentum trading or scalping or even day trading. It gives the trader time to walk away from their charts and actually have a life. Otherwise you are stuck to your charts and that is OK for the right person but our method gives you the opportunity to get refreshed and come back.

What I can say more is the system is about trending markets, and that's when it works the best. We use four indicators and if three of them are lined up we enter the trade. The first thing we are concerned about when we enter the trade is to move our stop loss into profit and from then – manage the trade to grab as much profit as possible.

Let's move forward. You said you never had a trading journal in your early days, but did you have any methods of analyzing your trades, especially the losing ones when you started?

I kept track of wins and losses, average pips loss and average pips gain.

All the basics actually. Again, one of the things I did not learn until maybe my 6th month of trading was to analyze losing trades to try to figure out if I made a wrong decision or was

because of the market conditions, which a lot of the time is the case.

I believe a trading journal is a wonderful idea, especially for a new trader, so he/she can go back and analyze trading situations. So if they are making the same mistake over and over than it is probably not the market but either they are not following their system correctly or the system is not working in particular market conditions. So the journal can be quite helpful and I truly recommend it even though I personally never did that. But it might have helped me to cut off my years of learning.

You said that it took you 2 years before you understood that the brain plays such a major role when we trade. On the other hand you said that not many courses taught that aspect. How did you reach this conclusion? Was that your own experience or maybe a book or something else?

I still think there is not enough companies out there that touch the subject of a proper mindset. It's a dry subject – it's not that people do not want to learn it, it's that when it comes to trading it's pretty boring. Let's face it, they want to know how to make money, not how to keep their mind together. However it's what most new traders and even experienced ones do not realize that it's your mental mindset that will make you a long-term successful trader. You can have the best system in the world but if you don't have the mindset and the

discipline to follow it, you will not be successful. So I don't think it's taught enough in courses.

We are constantly talking about it, we have a video on mental mindset. I think reading is essential – there are books like 'Disciplined Trader' by Mark Douglas on how to develop a winning attitude in trading. I think these books are not only essential for one to read, but are essential for one to constantly be reading over and over again.

We teach at forexconfidential.com that you should meditate – and that means different things for different people – but take three, five, ten minutes before you open up your charts to go over possible losses. They could happen and what are you going to do when you get into these losing situation? Go through it in your mind. As I said, this is essential for a long-term success.

And when you meditate, what state of mind do you want to get to?

Generally the goal of it is to put me in a right state of mind as far trading is concerned.

You need to have a winning attitude, you have to believe that your money-management system works and that your trading methods work. You need to have the confidence (but not in terms of being cocky and thinking you are going to win every trade) that you are a good trader and you have the mental

power to recognize a losing situation and cut your losses, get out of that trade and wait for the next bus to come.

It's one of the common mistakes – people do not want to let go of trades, especially losing ones. We all have to realize that we can dump that trade, take a smaller loss and then wait for the next wave to come along, because there is always another trade coming.

Any particular techniques you use while meditating?

We have a 'traders creed' that we instruct and try our members to read and look over, I will send it to you so you can publish it as well. It is awesome for people to meditate just for about 45 seconds to a minute before they start to trade.

Great then, I am waiting. Let's move forward. You said that your first year was not profitable at all. But then you found "something that actually worked on a consistent basis". What was that?

It was real basics actually, it was a little moving averages system. I think that it was 5/12 exponential moving average lines, crossing over one another, waiting for the lines to cross to take action and to be able to take advantage of the momentum. Back then I was a scalper / momentum trader more or less and the power behind the currency moving was what I was looking for. So I would wait for those indicators to move in the right direction and then look for unison in the currency pairs moving.

Back then (which was 6 years ago) the GBP/USD would move a lot quicker and sooner than EUR/USD. So there was a lot of situations when we could see GBP/USD taking off and then we waited for EUR/USD to give us the right signal – and 3, 5, 7 minutes later EUR/USD would take off. It is not the case anymore and they are moving in opposite directions today. Things have changed and that is a constant thing.

But back to your question - my first revelation was: I can make money doing it. The light bulb started to go on saying: there are people that can make money doing it. It kind of changed it for me – from doing it as a hobby to the state like: "Ok, I can do this, let's find the correct people to help me to put my skills on order and polish them up".

But then you moved from scalping to longer timeframes and you recommend those. But do you still do scalping / momentum trading?

There are times when I do momentum trading. I sometimes look for powerful moves of the currency pairs on, maybe, 5 or 15 minute chart. At the beginning of the trade I would be looking for 15-20 pips however my ultimate goal is to take a momentum trade and the power behind it and move my stop loss up into profit and let this momentum trade run so it is a day trade and then even a swing trade. So a 15-minute trade turns into a 4-hour trade turns into a day trade turns into a week trade.

You said that in your early days you had your normal job as a network marketer and you were doing quite well. What exactly did you do back then?

Oh, the network marketing days… You know internet is a buzz of home-based businesses and there are tons and tons of ads and emails out there about how you can get rich quickly with a home-based business.

I think a lot of us one time or another have fallen for the dream of doing something simple and getting a lot of money from it. I got into network marketing, that was the lure about it that you can build a group up and then not work anymore as the group made you money.

I built several organizations, my biggest one was over 75.000 people. However the problem was that companies would eventually go away. So for three months to two years you would have the group but then it was over. So when I finally understood that, my biggest conclusion was that I was actually not in control. If it's not your product, you don't have control – it's somebody's else's gig.

That's why I felt in love with forex exchange – it's the market that is not going to leave us. As long as there are two countries with two currencies, you have foreign exchange.

Let's move to your biggest win. It was 1250 pips, right? So how long did that trade last?

That particular trade lasted just under 3 weeks.

As we become more experienced, we give our trades more room to run, so if the trade is winning 300-400 pips, we can soften our tight stop loss to unleash the currency, giving it more room to do its rollercoaster ride and to trend the market. That is how we can have that impressive results for major pippage.

And then, on the other hand, you had your major loss of your $20K…

So they never told you anything about announcements?

Nope. They never told us anything about announcements. Not one thing. Well, knowing that I think I wouldn't be trading that time, I would be in control.

And what did you do after this major loss? Left trading for some time? Switched to demo?

I was devastated. I had to stop and I went back to network marketing, which I really didn't want to do. But even though lost a lot, I loved trading. I knew that given the right tools I could be successful. So after I recovered mentally from that big financial loss, I started practice trading and taking courses – and I have taken many courses throughout the years. I would try out different situations with mini accounts until finally the right situations started coming.

And I tried all the new systems that were introduced to me on demo trading basis. I would paper-trade or demo-trade them.

Well I guess because of mental aspects of trading you would always want to trade live, with real money – and get real (not only virtual) profits. So we try to go live as quickly as possible. But it is essential to understand your system before going live.

I am asking about switching back to demo after a loss because many experts we have spoken with recommend that – in order to regain your confidence and proper mindset. Do you recommend that to your students as well?

Yeah, at first I recommend my students to stay away from live trading for as long as they can. Obviously one of the problems with demo accounts is that we know the money is fake there so the difference in attitude is significant. We all have a tendency of not being strict about our demo accounts.

So all in all I suggest that if you start losing money, the first thing to do is to cut down your risk, take your money management system from conservative to ultra-conservative and if you are still losing – you have to switch to demo and start practicing.

You said that your biggest mistakes were "jumping" into trades trying to catch the ride. Do you think it is helpful to write a trading journal to analyze each trade separately, to get those market moves and avoid losses?

It's one of the hardest things to do in trading – to watch the charts start to move fast, because we want to do is jump on that train. We want to get involved with that trade and ride it. And unfortunately, many people do that in the worst part. The problem is that sometimes that will turn out to be a winning trade and one will get 50-80 pips really quickly. That gets you mentally psyched-up so you think 'hey, this is easy, I can do this'. But it's giving you a false positive. I think that if you tried to do this for a living you would ultimately lose, unless you have that certain knack, a real intuition to jump into trades in the right time.

We tell our people – hands off the mouse. And this is another reason we recommend the four hour charts so that those kind of moves don't affect us. When we have moves on a four hour chart there's a lot of money involved. It's not a 5 minute chart doing a 20 minute trip. It's a substantial move and when we have 3 out of 4 indicators telling us to trigger a trade – we rock and roll.

I wanted to ask you about discipline – you advised people getting a mentor to learn it properly, to have support. But what about people without that kind of support? They bought a system, read some books. How can they start learning discipline?

Well… Discipline. If you were to pick up one word in the dictionary that you should be most concerned about in trading – it would be discipline. We actually have what I like to

call 'The 10 Commandments of Trading'. I believe there are 10 main things that traders need to do, regardless if they trading with a mentor or without one. Those ten things, and I am going to go from bottom to top, are:

10. It is extremely helpful to trade with a group of people, a partner, an association or a membership. You will catch your mistakes before you make them because your partner will help you, will point out things that you do not see – and vice versa. It will help you stay disciplined and focused on the tasks: mental management, money management and staying with your trading system.

9. Do not trade announcements. I know there are people who make a living doing so and that's wonderful – they are exciting and fun, but I think it is not for beginners. If you want excitement – go to a casino or a horse race. Don't trade these markets.

8. Do not overtrade. We as traders want to be in the market constantly and if we don't pick and choose our spots, the market will pick and choose us. Overtrading will certainly hurt you in the long-term.

7. Trade with a trend. There is a reason why people say 'trend is your friend'. When you trade against the trend – and I am not saying you can't, because when our indicators tell us to do so, we will, but it has to be something really strong – because in 70-80% the trend will eventually take over. So I would

recommend finding a good tool to find what the trend is – and trade with it.

6. Always use stop losses. I get emails from people all the time saying: don't use stop losses, the market is going to hunt you down and take you out of trades. But I am saying that if you do not use stop losses, you will lose your account. People say to use mental stop losses – when it gets to a certain point, get yourself out of that particular trade. But the problem is you probably won't, because you don't want to take a loss so you ride this train until you lose all your money. So have a system that has a good foundation of the stop loss – and then use it.

5. A good, solid trading system. There are a lot of great systems out there but there is one problem – not every trading system is for everybody. Trading is a very personal thing. If I am a fast moving, action-loving guy – trading one lot once a week is not going to get it for me. Then I have to find out a system that is a little more lively, a little more aggressive, that fits a certain personality. You have to figure what your trading personality is and find a system that you enjoy and understand. And…

4. …have the discipline to stay with it – because you picked, so it works.

3. Money management. It's a must for a long term success, you have to have foundation of money management.

2. Mental management. You have to know about fear, greed and revenge trading and these are areas that you have to understand. And once you understand them, a lot of light bulbs would go on in your trading.

1. Discipline. It wraps up all this stuff in one word. That I guess is a reason why Mark Douglas' book is called 'Disciplined Trader' because that is what it's all about.

You mentioned the videos that your forexconfidential.com provides for its members regarding money management, mental mindset and discipline. Can you share those with our readers?

Sure, there are many videos I could share with you. I would be more than happy to provide those.

Oh, I have to mention that once a month we do an open house when people can come in for a free workshop and see what we do.

Do you do it online?

Sure, and it's free for everybody who wants to join us. I will definitely send you the information on that as well.

Perfect!

Let's move forward to some topics related with the future of Forex. You said that you think that the Asian market time slot could be

the biggest mover of currency pairs. Why do you think so? Currently the biggest moves are during European time slot.

Right, it's like London session, then New York and then Asian market. But just look closely – there is an economic change going on. The US is not the economic powerhouse. Euro has taken over as the economic currency that most people really want to belong to right now. However we know that China is the fastest growing country ever, building a huge infrastructure. I truly believe that the Asian market will be the hub of finances. I don't know when – I am not an economist. But I am sure that when the Asian markets start moving a lot, me and my members will be there to take an advantage of it.

Are there any other things that can change the Forex market? Some say that robots will.

I am constantly evaluating not only trading systems but trading robots as well. It is a great idea, because then there are no emotions behind trading. However that's also a problem – it does not have that human interaction. Imagine a set-and-forget robot that you leave on all the time – what happens during announcements? There are a lot of 'what ifs'.

I am sure there are really successful robots out there but people don't share it, which is probably smart. It would be great if there was a robot that could work on a long term basis on trending markets as well as on choppy markets, that could

take advantage of the markets through announcements and other events, like Fed interactions and interventions.

I am working on my own automation, probably just like a lot of traders around the world. I believe I will be able to take my 240FX and mold it into an automated trading system. But I don't know if it will be possible that people could turn it on and go to Hawaii for a week.

So when do you think your robot will be out?

Well I try not to give timeframes… But I hope for it to be finished by the end of this year. And when I mean finished, I mean fully tested as well.

I am asking because we are working on another project – a book about forex robots, their pros and cons and so on.

I don't really know when – maybe at the end of the year. It's just I cannot suggest something not fully tested to my membership because I know that if I suggest something new, a certain percentage is going to buy it. So when / if I finish the robot, I will introduce it to my people first. I am excited about the potential – I have ran the numbers, I keep on tweaking the robot I have right now. It works so far – it is profitable. It's about 0,5% a day, which is outstanding.

And how does it work compared to your proper 240FX system?

Uh, the problem with the robot is that it's got certain perimeters and when I trade live, I can tighten or soften the stop loss as I need to. If I am in a big nice trade (like now USD gaining speed against CAD), I am able to tighten up that stop a little bit, make sure I lock in a nice chunk. I am up about 150 pips so I can lock in about 100 pips, whereas a robot would lock in whatever you program it to lock in.

Sure, there are pros and cons behind it. The pros – it will lock those profits for you. If you do it mentally – nobody knows what are you going to do before you do it. And the cons? It will lock those profits for you! And it might not see the potential of letting it run a little further.

I think that the right robot will be good for most traders because mental aspects play havoc with traders and there is nothing like that when using robots. You can set it, pretty much forget it and still profit.

So can I ask you to contact us when the robot is out?

Oh sure, without a doubt. I will keep you guys informed.

Is there anything else you would like to share with our readers?

Uh… Do your homework!

There are a lot of educational companies, a lot of e-books to go through. I strongly suggest to you readers that once they find a possible trading / training environment that they might

want to go along with – contact the person that will be teaching you. I pick up my phone, I talk to my members on a daily basis. My line is always totally open to them. I return the calls within 24 hours.

And it becomes too busy, I cut on my membership. Of course I do not kick people out, but do not take any new members. And when people leave – which is a good thing, we want people learn it, practice it, get support from us and then go on their own – I open the doors back up and let people on. So, talk to the person that is going to be training you. Get to know that person. You should have a good feeling about this person, kind of a warm fuzzy feeling, because this is the person that will be your mentor, so you need to be able to understand him/her and enjoy training and trading.

Again – personality types. I could be a fast-talking, energetic guy and if you are a slower mover and you don't want things to come that fast, I will not be a person for you. But if you like rock n' roll and you have no problem with a California surfer dude, I might be a trainer / trader for you.

Find the person to work with, make sure this person will mentor you. I have a saying with my membership: I will not complete my mentorship of you until you are successful.

Steve, thank you very much.

Conversation with Todd Judkins

Todd Judkins is an experienced trader with 10 years in the stock market and over 4 years in the Forex. Todd actually began his trading career well before he called himself a trader. While Todd was in the 4th grade, his teacher taught the class fractional mathematics by following companies on the New York Stock Exchange.

Having graduated from North Carolina State University with a Bachelors Degree and an 8-year term of service as a United States Naval Officer, Todd rediscovered his fascination with the financial markets as he took control of his personal investments and began trading stocks. By 1998 he was a part-time individual stock trader.

In early 2003, Todd's interest began to lead him to the more leveraged instrument of equity options, but his love of global events and experience in world travel quickly converted him to a full-time currency trader.

He based his trading techniques on Fibonacci and candlestick trading methods and manages his trading plan with high probability trades. Todd credits much of his success to sound training, discipline, perseverance and constantly maintaining a positive mental attitude.

In addition to a term of service as a U.S. Naval Officer, Todd's other professional accomplishments include: management in Fortune 500 companies, business owner and consultant. He is also a certified hypnotist and success coach which provides him a unique insight into harnessing peak performance for traders, which he brings to his training and educational platforms.

Todd is in the process of fulfilling his life-long goal of sharing through education and instruction. He maintains a Forex membership website dedicated to providing a roadmap for individual traders who reject the hype and seek a high quality trading style, strong money management techniques and personal self-mastery at http://www.forexjourney.com

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Beginnings

When, and in what circumstances, did you for the first time consider trading as something worth trying?

Actually, it was a gradual build since I was 9 years old. You see, I had a teacher that was instructing on fractional mathematics and to communicate this to a group of 4th graders she taught us how to select stocks and follow them through the school year. My stock was Sunoco and Energy Company. I was learning math by default, but was really fascinated by the stock market.

As I became an adult and entered the workforce I began managing my own retirement account which lead into first trading options and then spot Forex.

Could you describe your first system? Did you construct it by yourself or did you take and modify someone else's? Was it successful or not? Could you describe why?

My first true trading system involved using Elliott Wave analysis, oscillators and Fibonacci retracements to locate wave 5 entries primarily for straight puts or calls, and vertical spreads.

As a new trader I took a preexisting system and followed it without changing or adding my own interpretation until I understood the system. I have a simple philosophy in regards to other traders' systems: "do the dance you are taught until you learn a dance of your own."

I had moderate success, I feel, because I did not change the system. That allowed me to grow the other areas that determine success, such as money management and trading psychology.

If you initially lost, what caused you to stay in the game?

I did experience loses. I stayed because others experienced success and felt all I had to do was crack the code, and was internally motivated to succeed. I was on an unrelated personal development focus at the same time I started

trading. This allowed me to recognize the mental aspects of trading early on and work on discipline. The fact that I was focused on the mental aspect of personal growth was a pure coincidence and honestly, I was lucky I had that awareness at the beginning of my trading career.

I also keep my account balance low and that allowed me to focus on the process of trading and not the money.

Did you experience periods of hesitation when you wanted to leave this field of trading?

I never wanted to leave. I had migrated from stocks to options, to Forex and continue to find growth paths and challenges.

Was there any memorable experience that determined you to trade further?

There was nothing quite like the first time you execute a high quality trade. I followed the market, entered and exited the trade as per my strategy and plan. The best part was that I remained disciplined throughout the entire time the trade was open. Discipline was a real struggle for me at first.

What kept you motivated? Did you have any external support at this time, such as friends, family, a mentor or a book?

Continuous education maintains me. I love learning. I still attend seminars, read books on trading as well as others, and look to apply those lessons to my trading. I am a new father

and although trading has been a challenge, now that I have diaper duties, it has also provided me with great motivation to continue to grow and become a better trader.

What was your next system? Do you remember why you changed the first one?

As I mentioned in a previous question, I want to learn, so I am constantly seeking out mentors. I came across another system during an on-line seminar and tried it out in my demo account. It was a simple system and worked well.

I continued to use my first system for longer-term trades and used the new one for shorter timeframes.

Did you have any system for tracking your performance at this time?

Yes, I did. This was a breakthrough for me. I recognized that it was not the trading system that was the most critical component to successful trading. It was the trader itself. Now I use a system that will track my numbers in my actual account and back-test. I also have a performance tracking system that measures me as a trader.

Did you keep any trading journals? How did you analyze them? Were they really helpful?

As a part of my performance tracking I maintain a detailed trade journal. My journal contains the tactical parts of trading,

such as trade information, results, and charts, and a strategic component where I track my focus level, things I did well and things I would improve upon as a trader. I analyze the tactical portion by producing a monthly report which shows my return on investment; win percentage, drawdowns, reward-to-risk ratios and other numbered measurements.

I analyze the strategic component primarily based on what I feel is the most important component of my Forex trading: the amount of high quality trades I execute. I define high quality trades as execution, not only against a prescribed strategy and plan, but also with regards to ideal market conditions and during personal peak performance periods. Basically, when everything I define as my trading edge is in place before, during and after the execution of a trade.

This is what I call mastering the process of trading. Master this and everything else seems to fall into place nicely.

Did you have a high level of stress when you started? How did you cope with it, what worked for you?

I was definitely emotionally tied to my trading. Most teachers like to teach at the lowest possible time frame available. Problem is that this is where the most emotions and noise are likely to occur.

I coped with it through awareness. I did not try to change who I was as a trader. I sought to understand my emotional triggers

and find strategies to circumvent the situation. For example, I was very emotional after entering a trade as I sat there watching the candlesticks move against me. During these times I was more likely to do bad things like moving stops, exiting prematurely and holding on to a losing position.

Now I use limit orders, perform other task or simple walk away from my computer for the first 30 minutes after I place a trade. Now that I typically trade longer time frames I do not run into this issue so much. But through this awareness I was able to recognize that my niche was in the 180-240-Daily charts.

Did you attend any trading seminars or training sessions? Could you describe them, if any, in detail? Were they helpful? Which part was particularly helpful?

I have attended several seminars and training events. At this stage in my career I typically attend trading expos that offer 1 to 4 hours learning opportunities. I am looking for specific information and am willing to sit through an event to gain just one nugget of information. My goal is to learn just one new thing at each event.

For the most part I am not looking for strategy or system information. I have a system that I have gravitated to and have performed a deep dive and know fairly well. I am looking for the intangibles like money and risk management and trading psychology. Or, if someone is speaking about a indicator or measurement tool, for example Bollinger Bands, that I can test

to see if I can integrate into my system. For the most part I am just looking to increase my overall knowledge.

Is there a trader, teacher or mentor that you remember having been particularly influential?

Yes, several. The traders that influenced me the most are Joe DiNapoli, Neil Hughes, Steve Nison and Rob Booker. However, believe it or not, I have also been influenced by applying great thinkers and motivators to trade learning such as Napoleon Hill, Steven Covey and John C. Maxwell.

What was your most memorable experience from your beginnings?

The fact that I did everything, and I mean everything my mentors said I should not do!

What did you learn from the early phase that benefited you most?

I know what not to do. I guess you could say my true Forex trading school was called the School of Life.

Did you have an "aha" moment in which you suddenly understood what you had to do? Describe that moment, what led up to it, and what happened next.

Early on trading Forex I was evaluating my monthly trade performance. I kept very crude records of my trading then.

Basically a snapshot of my chart with the data points of the trade and my profit and loss statement from my broker.

It was another brutal month and my capital was dwindling fast. I recognized that on almost all occasions I made an accurate assessment of the market and executed a good entry, then basically fell apart.

I was exiting my winners too soon and holding on to the losers. Or even worse, second guessing my trade without allowing the trade room to move. I began to think trading Forex was too complicated, even though it did not seem so.

My "aha" moment came when I realized that it was not the trade, but the trader who was interfering in the process.

Was your family supportive of your decision to trade?

Was and still is very supportive of most things I do. Having the solid support is critical since trading is a very lonely profession.

How did your early experiences prepare you for your later years as a trader?

Serving in the armed forces taught me to seek answers in the face of great pressure. Being active in sports gave me the competitive nature to work past failures.

What was your first year trading in Forex like? Was it profitable? Was it any different than your first year trading equities, options or futures?

My first year trading Forex was unprofitable. It was truly a learning experience and something I had to go through to sow the seeds of success. It was blessing that I lost money, even if it was only a small loss. It taught me to reach deep and learn what it took to succeed.

It was very different than my first year trading equities and options. I did not face the emotional challenges in those markets. I was also, by pure accident, trading a style that suited my trading personality from day one in the equity markets.

Did you have a regular job? How did you reconcile trading with this job?

I had a regular job. I traded equities and options using end-of-day strategies and did it all after work hours. When I began trading Forex I traded the Asian session after work and London-New York overlap sessions before work. If I had a trade on during the working hours I typically had my charts opened in the background, so I could monitor my trades.

If you could do it all over again, would you take a different learning path, or are you satisfied with the route you have followed?

I am satisfied with my route. It determined who I am today.

Taking into account your actual experience as a trader, do you have any suggestions for beginners?

Absolutely!

This is a marathon and not a sprint.

Do not look at Forex trading as a get-rich-quick path. Your wealth will be compounded over time.

Understand that learning in this business comes at a cost, both financially and emotionally.

Be prepared to pay the price.

Study the process of Forex trading and study yourself harder!

If you do these things, over time the money will take care of itself.

Please give us several most dangerous issues beginners are facing today. Do you know solutions to these problems?

1. Expectations – Everywhere you look there is someone speaking about the excitement of the Forex market, usually a broker. Expect to put in the time to gain the experience. The new trader must recognize that they themselves are the single biggest threat to their trading. Most education and learning

companies leave trading psychology to the last chapter. It should be the first. Incorporate trading psychology in your Forex education plan right away.

2. Dealing Desk – Regulations are coming, but dealing desk are permission to print money for the brokers. I understand the concept, but cannot reconcile the massive conflict of interest brokers have with dealing desk. Traders should look for non-dealing desk accounts as soon as they feel comfortable in trade execution.

3. Economies of Scale – Retail Forex traders are a small fish in a big ocean. Banks control the actions and can be unpredictable. If you take on the strategy of working with the banks, like the small fish that swims next to the shark eating scraps, and focus on getting really good at one aspect of trading at a time, for example money management, then it will be a lot easier to succeed.

Do you know someone who lost much? How did that happen? Was that a valuable experience for him, her or you?

I had a friend who I was coaching and thought he was using his demo account. He got ahead of himself and used his live account. He was called out on business and came back to a massive loss. In his haste to get the trade on he failed to set stops and the market reversed.

It never happened again.

The Forex market has a way of making the lessons increasingly more difficult until you learn them!

Transformation from a beginner to a successful trader

When did you reach the level of systematic gains?

I took about 2 years of focused effort.

Did you try different systems of trading? Trying a system means using it in real market conditions minimum two weeks.

Tried them all.

What time scale works best for you?

Swing and position trading work best for me followed by position, long term.

Do you combine systems, for example: long term entry using intraday or scalping?

No, not really. I will use intraday charts to preview longer term entries, but not combining systems.

Could you describe your biggest win? How did you feel?

My biggest win came when I followed the USD/JPY and saw a distant entry. I waited, got in, added to my position as the trade went my way and exited at three different profit targets. It was not the money gain or chart pips that excited me. It was

the execution! I felt like a pro and in that instance I realized I was no different than the pros!

That is also when another problem came to life: over confidence!

Could you describe your biggest loss or losing streak? How did you feel about that?

It was at the beginning of my trade. I had 7 losing trades in a row and I was all over the place. Changing strategy, chasing trades. Real ugliness! I realized that there was something going on internally and suspended all live trading and returned to the beginning. Took my beginner classes again and basically scrapped everything I knew and started over from scratch. This turned out to be a blessing in disguise.

Could you describe your biggest mistake? What lesson did that experience teach you?

Chasing trades. I recognized I was experiencing the feeling of missing "the trade" and would go hunting for it. I learned that there is always a trade and picked my support and resistance levels and waited for the trades to come to me.

What would be your most significant accomplishment as a professional trader?

Being able to teach others and share my experiences.

Did you have a moment when you were disillusioned with trading? Was this a positive or negative experience, and what did you do next?

It was the previous answer when I was frustrated and had a series of bad trades. At the time I could think of nothing more than a bad experience, but in reality it was the best thing that ever happened. I reset my expectations and focus to studying the process of Forex trading and for a long time only look at actual account balances once a month. I began speaking in terms of pip gains and losses, return on investment, risk percentages and managing my entries in accordance with reward-to-risk ratios. Taking the focus off of the money and on to the process allowed me to make money.

Maturity

How long did it take to develop and to get comfortable with your methods and trading style? How have they changed over time?

Two years. Only small tweaks. I have learned to trade with my personality and not against it.

How did your trading systems evolve?

Recognizing that price moves around level and finding trend, trigger and confirmation levels. I studied pivot points, but gravitated to Fibonacci levels because of my experience with them trading options. I sought simple systems without many indicators. Simple works for me.

How do you cope with emotions today?

Through recognition and awareness. I still have the same emotions today as I did when I made my first Forex trade. Today I am aware of how these emotions hurt and help me as a trader and have strategies to both control and exploit these emotions.

Do you add to a winning position?

Yes, I do. This is something I started doing about a year ago. I have it in my trading plan for position trades. I typically go all in and scale out for lower time frame trades.

What do you do to mentally prepare yourself before each trading day? What do you do to wind down after a long day of trading?

My day starts with 20 minutes of meditation followed by the reading of my mission statement.

What do you do immediately after you lose a trade now?

I conduct a very quick assessment to determine if it is a losing trade or a bad trade. If it is a losing trade I simply move on. If I feel it was a bad trade I re-read my trading rules and mission statement before executing another trade. If I detect a pattern of bad trades I will shut down my trading and take what I call a "Reset Day." I will conduct a "Reset Day" once a month regardless of events.

What do you think is the main source of your success? What is your secret of exceptional performance?

Self-awareness and determination: the intangibles.

What does it take to be a market master?

Self-awareness and determination.

Today, do you have one system or many? Could you describe it?

Basically, one system in Forex. I locate swing points in the market using Fibonacci studies, candlesticks and chart patterns. I may use Bollinger Bands or other studies to confirm. Simple.

How do you prepare for a trading day? People meditate, use affirmations, NLP techniques, relaxation techniques, they work with imagination, etc. What do you use and suggest?

My trading day begins the night before by ensuring I get adequate rest. I wake, eat some energy food, since I wake at 4am local time, and meditate. I read my trading mission statement, visualize myself executing the perfect trade, get my logs and charts open and go through my pre-determined check list of market evaluation.

I may or may not trade. Depends on market conditions.

I end the day by exercising and listening to hypnotherapy recording I made for myself. I am a firm believer in what your mind believes you can personally achieve.

Do you trade with a discretionary or a mechanical method? Do you use more than one method? How did you develop your methods?

I consider myself a discretionary trader. I developed my methods by studying trading systems taught to me by other traders and incorporating the aspect that resonated with me and my trading style.

What class of market moves do you want to catch?

Expansions and retracements.

Do you feel comfortable leaving open trades overnight?

I do that all the time.

What is the most important part of your system?

Technically, it is locating primary and secondary support and resistance levels with major gaps between levels.

How do you manage money, do you have rigid rules?

I have rigid risk rules that ultimately govern whether or not I execute a trade. It can be the best trade I have ever seen technically, but if the trade violates my risk profile, I pass. I am

looking for high quality trades and if my risk profiles are violated then the trade is not classified as high quality.

Do you have any regrets regarding your career path as a trader?

Regret is a very destructive emotion, so I never focus on it.

What do you think is the role of discipline in trading? Do you have formal or informal daily routines with a trading plan you follow? What is your solution for consistency in following a trading plan?

I think discipline is the difference between a novice and seasoned trader, it is that important. I have formalized my management of discipline through my daily routine and performance logs which I have already spoken about.

How did you learn discipline? Were there any particularly helpful exercises?

It was part of my self-awareness study and required a leap of faith. Discipline is a learned event and almost a by-product of experience and awareness study. I learned that the first 30-minutes of a trade is when I am the most undisciplined. I can evaluate, execute and exit a trade with the best of them. Trade management is where my discipline fell apart. Now I have implemented strategies to counter those moments. I simply look away for the first 30 minutes.

My recommendation for traders looking for an exercise is to write down on a piece of paper five strengths and five

weaknesses they possess as a person, not a trader. Then for each, write how it both helps and hurts them as a trader. This will give the trader insight into areas they must address to become disciplined traders.

What do you suggest to a beginner? How can he or she learn discipline fast? Do you know any exercises, systems, techniques, etc.?

First, I take the word "fast" out of there. This sets the expectation that things can happen quickly and lead to emotional trading.

I would encourage the trader to focus on learning *one* system inside and out without changing anything. Familiarity and confidence will build discipline.

Then I would focus on teaching the trader how to journal and review. That is the easier area to begin to build discipline.

An exercise I have used in the past to promote discipline in myself, and I use this today, is to always trade with a rubber band around my wrist. If I do something undisciplined I snap the rubber band against my wrist. After a few times of that you will not make that mistake again!

What are the three most essential elements of your success?

1. Trading System – keeping it simple,
2. Money Management – the holy grail of trading,

3. Personal Self-Mastery – will determine your ability to execute No. 1 and No. 2.

Do you have a chosen currency pair? Could you briefly describe its characteristics?

My favorite pair to trade is the EUR/USD because that is where I started. I know both the US and EU economies well and the pair is the most predictable. It moves in a consistent range and responds very well to technical signals.

Some people say that large players, such as banks or funds, manipulate prices by making false moves. A lot of traders, especially beginners, have a problem with that and lose significant amount of money as they learn from widely available books. Could you comment on that?

I do not think the big boys are worried about us small players. This becomes a nuance that can be learned with experience.

When to trade, and more importantly when not to trade, as well as where people are setting their stops are critical. I think traders get caught up with milking everything out of a market move. I am not looking for the absolute first entry point, nor do I wait until the last possible exit. I seek that 50% prime area in the middle of a move. It is a part of the Forex game. Learn it and prosper. This is an area where patience and perseverance will pay off. Do not get upset with getting stopped out, take notice and learn for the next time.

Future of Forex

Did you notice any significant changes in the markets in the last 2 or 3 years?

More retail players. The world has a more global focus, so Forex is getting more interest.

What do you think the future of speculation in Forex will look like?

I see a high likelihood of more regulation, especially with brokers which will not necessarily be a bad thing. Transparency in the markets will only level the playing field.

How has the Forex market changed, in terms of trading tactics, over the past two, three, or five years?

Not too much. The same systems that worked five years ago can work today.

Where do you see the Forex market being three, or five years from now?

I see significant growth as more and more people take personal financial management into their own hands. I also see a gradual shift from the US dollar to the Euro as the global currency.

Where do you see yourself five or ten years from now?

Trading and teaching. I see myself expanding into futures. I suspect, as time moves on, I will move to position trading exclusively. I also will be giving back more in pro bono trading education.

Additional questions

What are, according to you, the best systems for beginners, part time traders or people with very little time during a day. How should they start trading?

It is why I make my living. Swing trading with limit orders, stops using support and resistance to locate entry points and triggers such as trend line breaks or chart patterns.

What are the cardinal rules of trading according to you.

1. Plan your trades and trade your plan without wavering!

2. Do the dance you are taught until you learn a dance of your own. In other words, don't change a system you have learned until you fully understand the system, the market and yourself!

3. Trading is a business, so know your performance numbers!

In addition to being paid money, how else has your trading career created value in your life?

I can be home with my infant son and enjoy moments some dads miss.

How much time, in hours, do you devote to trading every day?

3 to 4 hours, 4 days a week.

What are, in your opinion, the best trading books for beginners?

Trading in the Zone by Mark Douglas,

The Candlestick Course by Steve Nison,

Entries and Exits: Visits to Sixteen Trading Rooms by Alexander Elder,

DiNapoli Levels by Joe DiNapoli.

Which system of money management is best for beginners?

A simple reward-risk trading with less than 5% total risk capital. This will teach discipline and risk management.

What's the best way to use demo trading in building competence? Some say that demos can build bad habits. What is your opinion on this issue?

I am mixed on demo accounts. I use them to learn a new strategy or system, but do not spend much time with them. I back-test to build confidence in a system, but trading live has no substitute.

For beginners, I would say demo accounts are good because the amount of information one learns at the beginning can be

overwhelming. I feel that will build bad habits more than the demo account.

I recommend, as soon as the physical trade execution is learned and a small learning account established, demo accounts should be left behind so one can build and learn the discipline of managing a live account.

Do you know about documented situations when brokers or large institutions play against their clients, for example by closing positions, stop hunting, etc.?

Hearsay, so I can speak to it. I have had some questionable events, but it was borderline. I tend to vote with my money. If a broker crosses me or I am uncomfortable with their ethics, I leave.

Your first system used Elliott Wave analysis, oscillators and Fibonacci retracements. It seems quite complicated for a beginner.

At the beginning, before I even started trading Forex market, I traded options. I had some formal education to 'top up' that strategy and it was coupled with software which calculated out all that was there to count. So I knew the basic concept and the program counted all the numbers for me. That is how I got away with it.

Where did you get that system from?

That was the part of the training cost, they gave it to you and they taught you the system.

Correct me if I am wrong, but when some people hear names like Elliot or Fibonacci they immediately think: 'difficult'.

Yes, I am not going to disagree with that, but to me it just does not feel complicated. I think the main reasons are that I was excited and motivated to learn, and very persistent.

At that time I did not know what was complicated and what was not, and the instructors I had were very good, so everything just clicked and made sense. I did not have much trouble understanding the concept.

But of course, I did not rely just on that, I actually studied the material in my spare time. I bought a book called *Elliot waves principles* and after I got about 5 pages into the book I thought: "Oh my God, that is really complicated!"

If I can look at the chart and have a program to count that for me, it is not any more.

Would you say that your success was in some way propelled by understanding the role of mindset in trading?

Yes, that seemed to spawn everything that went from there. I knew I was a disciplined person, I heard how important that was, but I did not recognize what my emotions would be while trading. I would watch a trade after executing it, and if it did

not go my way immediately after, I would think: what did I do wrong? And that would start a downwards spiral, so to speak.

I would do every mistake a trader can do. I would be moving stops, getting out of the trade before it had a chance to go in my direction, and so on.

I changed my habits: I started using limit orders or executing my trade live and just walking away.

Are there any techniques a trader can use to learn discipline?

Yes, there are, and I think that I went down a road that traders do not have to go. I was doing more of my personal development and I slowly merged it into my trading. But there are methods you can use to maintain discipline. One of them I am using now is simply tracking my performance.

To start with, I just sit down and create a trading plan, recognizing my strengths and my weaknesses, and analyze how they help me or hurt me as a trader. Even my weaknesses can help me as a trader in some situations, but the main issue is the awareness. Once I build that into my trading plan and couple that together, I do the proper tracking of my performance.

I have standard trade logs for executed trades, I put all the numbers in there. I developed a spreadsheet that calculates my performance based on the numbers I input.

Then I evaluate myself as a trader, but I have to objectify that, so I have another section in my spreadsheet, with some criteria that I use.

What are those?

The discipline factors. I need to be rested and focused. I need to execute my trades in the currents of my system. I need to exercise proper money management, no more that 1% per trade, no more than 5% total of my account, in any given time. If I can check all those boxes off, I consider the trade of high performance. When I can keep my performance above 95%, then the success part, which is probably what everyone is looking for, is there automatically.

I know my system, what percentage and what market conditions it should deliver for me, and that I execute trades when I am at best of my ability. Like this morning: one of the struggles I have is that I am a new father and if I am up too late with my son and get up early for a trading session, I am not focused enough to execute high performance trades. I said to myself: today is no trading day, walk away.

That was built into my performance evaluation system.

Did you use that from day one?

No, it was more like an evolution process, slowly building it into my method.

First, I really focused on learning the system, because once you learn the system, you can proceed with other aspects. Then I was able to evaluate different aspects of my trading and locate those areas where problems tend to arise. And then I started to include my evaluation techniques in my system.

Right after you start, you have so much to learn. My advise is to chunk it down, learn some parts first and then proceed with others. Your success is not dependent on how much money you have in your account when you start or what is your winning trades percentage. It is all about your ability to learn and executing trades at the best of your abilities.

But then you have to make a transition to a proper money management and controlling your discipline very quickly.

Would you say that a beginner should have a trading journal from day one?

Absolutely! I recommend that every beginning trader start with a journal and write down everything! It does not matter if it is correct or not but you have to write down what you are doing, because the first thing you need to gain is the awareness of what is going on. Therefore, a journal is a must.

My journal from day one was very simple. I analyzed if there were correlations between currencies that were supposed to be correlated. I was trading on hourly charts so I wrote down if

my hourly candles were consistent with the general trend I was going to get. As I said, a very simple journal.

Basically, I was writing down things related to the trend. Thanks to that I knew I would be long or short because that was what my correlations were telling me.

Did your journal evolve?

Sure. When I started I had a very simple journal and now I have a complex one. Well, it is not complicated but there is a lot of information in it. And it is very personal as well.

Let us discuss your stocks and options trading. What did your analysis look like?

In the beginning I did nothing but intraday analysis. I was working so I would come home and do my daily analysis, put stocks on my watch list, and if an opportunity popped up, place a limit order against that. That did not expose my discipline problems which came when I started trading Forex, but it just happened to suit my strengths: looking at the big picture and executing trades based on data from the end of the day.

Then I abandoned stocks and I was just an option trader for a little while. I used similar techniques when I evaluated options.

Many Forex traders have some prior experience with stocks or options. Would you say that your knowledge helped you in Forex trading?

Absolutely. Everyone has to remember that Forex has a different dimension than the other markets, just because it introduces a totally different layer of complexity and I think it emphasizes the discipline side. That is why when I started trading Forex, I acted like I have never traded before! I was so unstructured and undisciplined. This is a much faster-moving market. Recognizing all that was essential.

It brought something to the surface that has not really been exposed and caused me some discipline problems.

When you understand the process, you can overcome some of the problems very fast. And you can spend more time focusing on other areas, like discipline.

The other thing was that I was familiar with general ideas of systems. I understood what are Elliot waves or what the price is doing around support and resistance using Fibonacci pivot points, or what candles mean.

It took you two years to start earning on a consistent basis, did it not?

Yes, two years! And that is an experienced options trader moving to Forex. It shows what the Forex is like, does it not?

How did you manage to do both your job and your part-time trading?

That is an excellent question. I am from Arizona, so being in the West, I actually trade two sessions. One is the London-New York overlap session, that is why I have to be up in the morning at about 4am, so I am able to get my trading in before workday started. And second, the Asian session in the evening. It was much easier to trade Asian session, because getting up that early is quite inconvenient, especially when you are trading part time and have to go to work afterwards, and I had a lot of travel associated with my work.

Going back to this period of two years…

Yes, those two years of barely breaking even, maybe losing a little bit. Slowly, all the things started coming together.

This is what I see out there: a lot of people start trading Forex market, it is exciting, it moves fast, there is potential for big gains.

Still, this is a marathon, not a sprint! Every beginner has to take his or her time to learn the process of trading. In this period it is not so much about worrying about your account balance at the end of the month. Of course, you need to worry about that but what you should be focused on is the process of trading: evaluation of the market, understanding your system, proper structure in place to enforce discipline in trading, fully

understanding money management. Once those processes come together, it is a magical moment!

When you understand all that, you can start making some really strategic decisions, but until then learn as much as you can. It is a long process, but it is worth it.

Many people think that it is going to be 6 weeks or so an then: boom! "I am going to be retired in six months". That is not the way it works. It is a profession, not gambling.

I guess everyone heard the statistics that about 95% of retail traders lose. Almost none of them survive this period of loses or breaking even. Can you say why?

I would say the reason that 95% retail traders lose in the market is that their expectations go into the trading process, and not the proper mindset. What I am basically saying is: they have lost before they have even started, unless they had a severe mindset change.

Why do you think the whole mental aspect of trading is not emphasized enough?

I think that it is one of the 'true robberies' of the Forex industry. The brokers are putting a lot of information out there, and it is a bit of a conflict of interest, as an uneducated trader is a very profitable trader for the broker.

Many people claim that trading is about 80% mental and 20% execution. Should we not spend 80% of our time on the mental make up?

One of the questions in the questionnaire was about my favorite books, and I answered that it is *Trading in the Zone* by Mark Douglas. My favorite trading book is not the one that would tell me about a candle pattern, but about my mental make up. That is the ultimate determination between failure and success of a retail trader: a proper mindset. But it takes a lot of time to learn. All a trader needs is persistence and perseverance to get through and start earning.

It is all about making little games. When I make a trade and it does not go my way, the first question I ask myself is: Was that a losing trade or a bad trade? Because there is light-year's difference. If it was a losing trade but I executed it correctly, it just the cost of doing business and I have to move on. If it is a bad trade, I analyze what I did badly. I also analyze what did I do good because there is always something good to find there. As I said, it is a slow process and most of the people do not understand that it takes time to build the skills. They want to start earning right away and that is not going to happen.

What about your breaks you said you take to reset? How long do they take?

It depends. It may be a day and it may be a week, depending on what is going on. If I feel that my life and my performance

are not what they are supposed to be, I would just go away. I close my computer down and I do not do anything associated with trading. If there is something happening and I do not understand it, I may just shut it down and come back the next day. Then, I would go through my trading logs, trying to find some sort of pattern. I would go through my system, because the situation might be that market conditions have changed and my system is not in sync with market conditions. Not doing a simple tweak might be very costly! All in all, it depends on what is going on.

I try to take at least a day off, because the answers always come to my mind when I am not actively thinking about them. I could be working out or watching a movie, and boom, a brainwave comes and I have something to think about. It is funny how many times that happened already. I even try to keep a pen and some paper on my nightstand by my bed!

I think the best recommendation is to walk away at least for a day. Clear your mind and then come back to it.

Let us sum up the elements of what you call 'mastering the process of trading': execution against a prescribed strategy and plan, with regards to ideal market conditions and during personal peak performance periods. It is simple, yet not that common of an approach: that success depends not only on tactical plan and market conditions, but also personal performance as well.

I think it is all a part of it. One of the reasons why I chose to trade New York - London overlap period, is that I am a morning person, my mind is just sharper in the morning.

The first thing I do in the morning is not turning my computer on, I have my breakfast instead. I have some nutrition, I make sure I am hydrated. Your body is supporting your brain and I just try to stay focused in this aspect. We are a kind of athletes so to speak! We need to make sure we have our peak time when we need it. We need to stay fueled, awake and focused. That is my addition to the whole aspect of mindset.

I would like to ask you about your approach to announcements and news trading.

I am not a news trader and I do not recommend any beginner to trade announcements. I know there are a lot of news traders but this is something I personally do not do. It is just not my strength.

I use those times to get a sense of what is going on in the market. This period might determine what is going to happen next week. If I am in front of my computer, then I might be adjusting some stops, I might have a limit order, but I do not actively trade announcements.

My guiding principle when it comes to technical analysis versus fundamental analysis is that I use both. Technical analysis is like a steering wheel in an automobile, and the fundamental

analysis is the accelerator. I can say that I understand the importance of both but again, I do not recommend trading announcements for any beginner.

You mentioned taking beginner classes as a remedy for your losing streaks. Taking the focus off the money in your opinion should help. Is that why you take a day off every month to reset?

I do, it is like grounding yourself again. Let me give you an example. If you worked in a chemical factory and there was an accident, what is the first thing that is done after an investigation? The factory shuts down and all the workers are forced to spend at least one day on reviewing basic safety principles only.

Even if you are a skilled trader, your fundamentals might sometimes collapse. I have a beginners' course on my computer and I believe that reviewing all the basic principles will help me rebuild my foundations. I stop thinking about the money, go back and look at the process of trading. I review the process of trading: execution of trades, evaluation, money management and mindset.

I guess the problem is that beginners are not that eager to go through the basics again. What helped you the most during those classes?

You know what helped me the most? It always provides a humbling experience, that what you are doing is not easy. It

re-sets and re-grounds you and it causes awareness that you are always learning and you will always have to. It improves your foundations.

The other thing is that it helps me to keep the simplicity of my system. I sometimes lose a trade because I complicate my system too much. My method is quite basic: I use Fibonacci, chart patterns and candlesticks. But I sometimes might add another indicator or I look at something I never looked at before. Going back to the basics helps me to keep things uncomplicated.

You mentioned the role of support your family gives you. This aspect might be considered very important as many traders fail to have a good relationship due to stress. Can you summarize the role of family support in your work?

Well, one thing is that I have a really supportive family. Even when things are not looking bright, I have my basic structure in place. They believe in me, in what I am doing, and in my capabilities.

The other thing is that I come from a military background and this probably made things a little easier. I do not care what is happening in the market, at least nobody is shooting at me! I have seen worse, so why should I bring negative emotions back home? That is not what life is about. Trading is what I do, it is not who I am, and with my family I should be who I am as a person.

I guess it all comes to knowing yourself as a trader, understanding why are you trading, many people do not even know nor realize that. The money is not the real reason. Money is a vehicle, not a reason. But if it is the money that they trade for, I guess they have lost perspective.

I want to know clearly what is my 'why'. In my routine, I go back on a weekly basis and review my basic plan. The first thing in my trading plan is this question: Why am I trading? Understanding 'why' always grounds me.

You mentioned the role of meditation in your trading. How exactly do you meditate?

It all starts with my morning routine. First I want to clear my mind and get focused. It all goes back to peak performance period we talked about earlier. This is a part of my preparation.

I have to clear my head of anything that is in there. Problems with my landscaper, really hot weather, anything. All have to go away. I sit down or lay on the floor, next to my desk. I just breathe in and out for about ten minutes. I focus entirely on my breath. That provides relaxation and clears my head. Then I read my mission statement. Why do I put my capital at risk? Why do I do it all?

I also do affirmations. I am a certified hypnotherapist, therefore I created a CD with my affirmations, with my voice, and I am repeating it for myself. Then I switch my computer on and I start

physically executing my trades, checking my open positions, looking at economic reports that are about to come out and have impact on my trades.

You mentioned 'working with the banks' as one of the ways to success. That sounds like it should work but what exactly do you mean by that?

I know that those large players will not even notice my presence. You know those big sharks out there? You always have those little fish out there, getting the scraps. That little fish eat pretty well.

You mentioned the rule of not risking more than 5% of your capital.

Yes, once I hit that 5% I stop trading. I know it takes a disciplined person not to trade while an opportunity arises, and it took me a while to learn it.

I do not care how that chart looks. If it does not fit my risk profile, it is a bad trade. I evaluate my trades, I look at my technicals, I look at where my stops should be on a technical basis and I figure out what I can afford to trade. I do not violate my risk profile.

Are there any other rules you stick to, regarding money management?

Another thing is that I look at my risk to reward ratio, my minimum is 2:1 or it is a no trade. Those are the curbstones of what my money management plans are.

The other idea is scaling-in and scaling-out. I usually go all in at the beginning and set targets, usually three. My first target is along the capital preservation, the second is capital acquisition, and the third one: I just let it run. I usually trade in groups of three: 3, 6, 9 lots and so on.

What about scaling in?

Well, I have always done scaling out but now I am starting to look at scaling in or adding to my position. I had to figure it all out before I start to play with that.

As I said, you are always evolving as a trader and that is where I am in the process of my evolution.

Any other recommendations for beginners regarding their capital?

What I would recommend to any beginner is to trade small amounts. I do not care how much you have to spend, put something into a savings account in a commercial bank, and leave something for trading. Think of it as an education fund!

Even if you have a few thousand dollars, trade micro or mini lots and think of it as an investment in your education. Say to yourself: "I do not want to lose it, but if something like that

happens, that is not a problem, as long as I am learning in the process of trading."

And then, when you feel you can make money off that, when you have gone through your learning curve and you know that this is something you can do on a long-term basis, slowly introduce more capital.

One of the widely-commented aspect of trading is the behaviour of brokers, which is allegedly not always fair. I am talking about tricks such as hunting stops or spikes. Did it ever happen to you?

Those situations happen and they happened to me a few times, but I think it actually turned out to be a good experience. It really got me focused on where I am putting my stops and where everyone else is putting theirs. I moved my stops a few pips away from other people stops and it really made a difference.

But all in all, those brokers with dealing desks have a conflict of interest and sooner or later they will be regulated.

There are stories about traders who change their brokers even 15 or 20 times.

Not that many, but I started to view brokers like I view airlines: sooner or later they will get on your nerves, so why should you fly only one airline?

I changed brokers five times. I would not say that I can recommend my current broker, but I am familiar with their execution system, I learned to work around some issues. Everybody asks me: What would I recommend? I do not feel comfortable recommending any of them!

What can a beginner do then?

I can suggest this: get a demo account open and be sure you take your time to read all the rules. Know it, monitor it, have their customer service number ready. I keep my own log and check if their log corresponds with my log.

You said that your next step in trading will be including scaling-in in your system. What about your evolution as a mentor?

I am thinking of doing one-on-one coaching. One of the things I really like is to teach. I would like to get through the hype and show people that this is not like you will start trading this week and next year you will be driving a Mercedes. This is a profession and you have to learn it. It takes time, there will be some growing pains, some setbacks. This is one of the professions that will immediately reward you when you do good, but momentarily punish you when you do bad.

Are there any other aspects of Forex you do or do not like?

I do not like the hype in the industry but I love trading. I guess professional Forex trading was a natural attraction for me.

Other thing that I do not like in Forex is the marketing side. I understand a business model but charging $6,000 for a day of classes is little bit extreme.

Speaking of learning, it all depends on how you like to learn.

Some people prefer to learn in classes, others like one-on-one and some can read a book, try it on their own and they know it all. If you can learn from books you can get on-line, all the power to you. If you can not, do not be afraid to invest in yourself. It is a skill you will internalize and nobody can take it away.

Do you have any final words for our readers?

My basic advice would be: this is a great market and skills you gain are totally transferable. It cannot be taken away, but you need to remember that this is a long process. Perseverance, determination and persistence: these are the keys. If you have that, the success will follow.

Thank you very much.

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