

REAL
TRADERS

REAL
LIVES

REAL
MONEY

*Learn How Ordinary Australians Make
Extraordinary Profits from CFD and FX Trading*

E V A D I A Z



Wrightbooks

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Real Traders

You don't need an MBA to
make money in the markets

Intellect has nothing to do with your ability as a trader. Success is not a function of how smart you are or how much you have applied yourself academically. Strong words, you may say, especially if you are a budding trader who wants to differentiate yourself from others by your trading success and what you think is your inherent intelligence.

Linda Bradford Raschke, a high-profile successful trader and president of LBR Group, a money management company in North Carolina, said those words when asked why seemingly intelligent people in other professions tend to fail as traders.

Mark Douglas, author of the book *Trading in the Zone*, went even further to corroborate Raschke's comments. According to Douglas, 'most of the trading industry's failures are also some of society's brightest and most accomplished people. The largest group of consistent losers is composed primarily of doctors, lawyers, engineers, scientists, CEOs, wealthy retirees and entrepreneurs.'

Based on his almost two decades of working with thousands of traders and having been a trader himself, Douglas said it is not

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intelligence nor good market analysis (though they could be helpful) that makes one a consistent winning trader.

Legendary trader Jesse Livermore may easily fit into this category of a not highly educated but successful trader. Livermore took his first job as a quotation boy at a stock brokerage company when he was 14 years old and just out of grammar school. He was 15 when he made his first thousand dollars, enough for his mother to worry and fret because she could not believe that a boy of 15 could make so much money from nothing.

I am sure not many people would be trading the stock market at the age of 14, let alone make a decent living out of it.

For most of the traders I interviewed, trading came a bit later in life. They may not have made their first thousand dollars from the market when they were 15 years old but these traders are now reaping handsome rewards from their trading.

Davin Clarke, who had a background in the printing industry before he discovered trading, had a massive \$175 000 profit in one day trading banks and resources stocks.

What is a CFD?

As the name implies, a contract for difference (CFD) is a contract between you and the CFD provider. It reflects the price of a share, sector, index, commodity and treasury that you trade without having to own it physically. Your profit and loss is determined by the difference between your buy price and your sell price. CFDs are traded on margin, which allows you to open more or larger positions than you can normally open if you trade physical shares.

Hamish Thompson, who switched to contract for difference (CFD) trading after giving up options trading, once turned one of his CFD accounts from \$12 400 to \$62 000 in 12 weeks. But he felt that his 102 per cent quarter, which delivered \$165 000 profit, is the most memorable for him so far.

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Mark Gilks gave up his electronics technician job to take up trading in early 2000. Since then, he has expanded his trading universe and is now consistently generating profits from trading foreign exchange (FX) (currency pairs), commodities, index CFDs and almost anything and everything that moves in the markets.

Justine made the switch from her high-flying and jetsetting marketing job into the high-profit world of trading more than six years ago. Aside from the profits her trading brings, she now enjoys the freedom and luxury of time she can spend with her family. Her marketing job required her to spend 12 to 15 hours a day in the office or on the road but Justine now only spends an hour or an hour and a half trading, what many would consider a part-time job, but for her a full-time job that delivers more than full-time rewards.

Davin, Mark, Hamish and Justine's stories are some of the inspiring accounts of successful traders outlined in this book. Most of these successful traders had very different jobs before they found trading.

A former electronics technician, a nurse and midwife of 26 years, an ex-financial director, an engineering consultant, two successful institutional traders, a former marketing executive: these are some of the men and women behind this book. They left their 'day jobs' to focus on trading and they have been well rewarded. They now have the lifestyle they wanted and the financial freedom that everyone aspires to.

Despite their lack of any formal training in trading or the financial markets, these people made a successful transition into the world of trading. How did they make the shift into what proved to be a lucrative career?

The combined trading experience and knowledge of these traders cannot be quantified. Together, they account for many years of experience in, knowledge of, skills in and insights about trading.

I must have read hundreds of books and thousands of articles about trading, yet they cannot match the insights and knowledge I gained from my interviews with these traders. To see some of them

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in action — putting in trades on the live market — and spending hours and hours in discussion with them gave me practical and hands-on trading experience you cannot gain just reading books.

What I learned from these traders are priceless lessons that I now want to share with you. I thought it best to present these insights and knowledge in a way that will allow you to glean small chunks of information and practical things that may help in your trading. The topics have been arranged so that you can pick and choose the most interesting or most relevant topic for you. As you will find out in each page of this book, you do not need an MBA to make money in the markets. For those inspired to try CFD trading, the appendix gives a ‘CFD 101’ in the basics.

Almost accidental trader

Anita Eliezer believes there is an unlimited potential to make money in trading. Her belief was confirmed when she discovered CFDs.

‘CFDs are fantastic because of the leverage. To me, this is the most important feature of CFDs. The small margin requirement means I can open up more or bigger positions and I realised this can bring me an unlimited profit potential,’ Anita said.

She trades almost all the different CFDs, including Australian share CFDs, index CFDs, including those for the Dow Jones and FTSE, and sector CFDs. She also trades a select few currency pairs.

Anita almost accidentally discovered share trading during a dinner with friends, one of whom was working in the finance industry.

‘My friend had this gadget that he was checking every minute or so. I asked him what he’s doing and he said he was monitoring the stock market. The gadget was giving him price updates. I was intrigued by it,’ Anita said.

Her interest in the stock market was also reinforced by her bank manager, who suggested she look into other investment vehicles and not put all her eggs in one basket.

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After the conversation with her bank manager, Anita opened an account with a full-service stockbroker, who made investment decisions on her behalf. But given her penchant for being in control, she also opened an online account, from which she can trade on her own. She started with a portfolio of shares, which she monitored regularly. She immersed herself in share trading through the usual combination of attending seminars and reading tonnes and tonnes of books about trading. She also did some paper trading for several months as part of her immersion program before she actually traded.

'You need to do some preparations because you are basically on your own when you're trading,' Anita said.

Anita uses CMC Markets' trading platform <www.cmcmarkets.com.au> to trade Australian share CFDs, index CFDs and FX (all major currency pairs) all in one account using a unified trading software. The single platform works well for her because it saves her time and confusion when trading in multiple markets.

'This single platform is very convenient for me as I can monitor all my trades without changing from one software to another. It gives me much control in tracking my positions,' Anita said.

Before she became hooked on trading, Anita was heavily involved in property development. It had provided her with another income stream, particularly at the height of the property boom in 2000–01.

'When it comes to property development, my strategy then was to go to a very nice area and find a dilapidated property to buy. I would renovate it — upgrade the kitchen, bathroom, change the carpet or floorboards — and put it back on the market. I was looking for a turnaround time of three to four months,' Anita said.

On top of her trading and property development ventures, Anita also owns and manages a software distribution company she acquired from her former employer when the original business was split up. Her knack for multitasking and her laser-sharp, driven personality have put Anita in an enviable position of being able to run various income streams that complement one another.

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One thing that worked well for her and her trading was the flexibility from her software distributorship company. Having successfully run it for several years, Anita realised she could not work for someone else. Although she says she can be a team player, she enjoys the freedom and flexibility that she has running her own business.

'It is a perfect setup for me. I can monitor the market almost the whole day because I work from my home office. I watch CNBC, Bloomberg and other business channels, so I know what's moving in the market. It's good that I have the flexibility because I don't work in an office environment and I can watch the market despite my other activities. At the same time, I can run my business very efficiently as I have a lean and systematic operation,' Anita said.

Similarly to any other businesswoman who runs her own show, Anita tends to work long hours, sometimes too long, so that she can stay up late if she needs to watch the UK, European and US markets. During our first interview, she was just getting ready for the UK market opening to monitor her FTSE positions.

Although she may never give up her software distribution business entirely, Anita said she sees herself spending more time and resources on her trading. She wants to expand her current trading activities into other more liquid and profitable markets outside Australia.

And although she is not entirely dependent on her income from CFD trading, it gives her substantial profit to fund other business ventures and a comfortable lifestyle. She has now built a substantially healthy trading portfolio, which she can use to start other businesses. Anita prefers not to leave all her money in her trading account, so when the account reaches a certain amount, she usually moves money to fund other projects. This has worked well and gives her other income streams.

Fire the fund manager

Arpad Marton takes his trading seriously; so seriously that he devoted more than four years to researching and developing a trading system, which is now delivering the profits.

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Arpad came from a family that relocated to Australia while he was still in his early teens. As have many migrant kids, Arpad has a burning desire and challenged himself beyond the ordinary.

'I came from that far, learned a new language and everything there is to learn. I believe I just have to do much more. I have to do more than just the ordinary,' he said when I first met him.

He admitted that when he was a kid all he wanted to do was finish his studies and find a regular job. But Australia provided a lot of opportunities for him that he just had to take. For him, that was just the beginning.

After obtaining an engineering degree and working as an IT consultant for some of Australia's big corporations and government agencies, Arpad used his engineering and quantitative skills to develop a trading system that would prove profitable and immerse him in the world of trading.

The trading software <www.hiqtraders.com>, which he developed with his business partner and friend Stephen Hovens, has a strong focus on risk management. They decided to design and develop their own software after having tried several software packages and found them wanting in terms of coping with the intricacies of trading.

'There's no software on the market that addresses risk management on individual trades as well as the portfolio level that is within the budget of an everyday investor. And we believe that risk management is a critical part of any trading plan. You cannot make a stock go up but you can stop it going against you. Stop losses are part of that but not the full picture. A good risk management system is essential to control your exposure in the market, so we developed our own software,' Arpad said.

Today, Arpad is not the only one using the software for his trading. He is now marketing it to Australian and international traders and the prospects are promising.

Another factor that pushed Arpad into trading was the poor performance of his investment with his fund manager. When he requested an explanation for the poor returns, the fund manager

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gave him none. Arpad decided to pull his money out of the fund and used it as seed money for his trading.

Arpad and Stephen pooled their money and time, determined to make trading profitable. Arpad admits that despite having a lucrative career he wants financial freedom more than anything, and he believes running trading as a business can deliver the future he is looking for.

As he was making the leap from the regular 9-to-5 job into the world of business ownership, Arpad found himself being drawn more and more into trading and systems development. However, running a business involves more than just the technical side, especially because Arpad and Stephen aim to expand into a boutique managed fund.

Although they traded shares and futures at the start of their trading business, Arpad said they are now fully focused on trading CFDs.

'We've gone away from shares and futures. CFDs are the perfect trading instruments for us for the present. Within the next 12 months we will be expanding into FX trading as well. They require very low margins and low transaction fees and we can go long or short,' he said.

A trading machine

It is 6.00am, the water is a refreshing 20 degrees and the surf looks promising and inviting. Davin has been in the water for a few minutes now, waiting for the next wave to ride. Compared with other local surfers at this Sunshine Coast beach, Davin considers himself a novice.

He taught himself to surf only two or three years ago. Without any coach or instructor to show him the basic surfing techniques, Davin struggled on his own: slipping on his board, falling off into the water and missing many waves along the way. But he did not give up.

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Out of the water and away from the big waves, Davin focuses his attention and energy on another type of wave: the sharemarket wave, something he has been riding with much success for the past five years.

Davin finds surfing and trading complementary. 'Surfing is a good way to clear your head. It also involves a bit of psychology because you forget all other dramas in your life when you're surfing. You have to focus on catching the wave before you or you risk being wiped out. You have to focus on the here and now and this is very much the same with my trading: I have to be fully focused and concentrated when I'm trading,' Davin said.

Before he discovered the world of trading, Davin worked in the printing industry after he finished Year 11, working his way up to production manager for his father's graphic reproduction company.

After learning the ropes of the printing and graphics design industry for seven years, he struck out on his own as a printing broker.

With his years of experience in the industry and his wide network of contacts, he successfully won printing contracts and farmed the jobs out to other companies.

The business was doing well and Davin was seriously considering bringing it to the next stage, at which he would need to hire more people and put in at least 60 hours a week.

At that time, the tech boom was still rampaging but Davin was still hunkered down trying to acquire computer skills to run his business more efficiently. With new technology coming into the market, Davin found his business moving more towards the technological and computer aspects of the business rather than the artistic side of printing.

'I got good at acquiring computer skills and that's when I started to dabble into technology stocks as well, seeing that technology companies were having a good run in the stockmarket,' Davin said.

For someone with a thriving business and a lot of potential to grow it, Davin must have been out of his depth to get into trading: something he did not have any prior knowledge of.

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'My attitude in life is to be open-minded and to try something new and if it doesn't work I can always go back to what I was doing before. I'm always trying to find something new,' Davin said.

So he dabbled in trading. Similarly to his early days of learning to surf, when the big waves eluded him and he spent more time falling into the water than standing on his surfboard, Davin was not making a lot of money but did not lose a lot either during his early trading days.

'After spending more time trading, I started to make reasonable amount of money, then I thought I might have a go at being a trader. I thought it was a good idea to start seriously in trading,' Davin recalled.

What was discouraging for him as a budding trader then was the lack of professional traders who could teach him. Davin said most of the people who were teaching others how to trade were not making money trading. There were many who claimed to be expert traders but did not make money.

For Davin, they are only good at public speaking. Realising that he could not rely on others to teach him how to trade, Davin embarked on another self-teaching program, in which he read a lot of books about trading and everything that he could get his hands on about technical analysis and understanding the markets.

'I was very fortunate to meet a professional trader through a traders' group in Melbourne. He became a mentor for me in my early trading days and it was invaluable to learn from someone who actually traded for a living. The main principle that he taught me was to buy stocks that are going up and sell stocks that are going down. Sounds simple but this has been an invaluable insight that always holds true,' Davin says.

Today, he consistently multiplies his trading capital month in and month out. And he has no fear of losing thousands of dollars in a trade because he is confident that he can win them back, plus more.

There is money to be made

Hamish was exposed to running a business at an early age. When his father passed away in November 1979 (on Hamish's 17th birthday), the responsibility of supporting their mother in managing the family farm fell on him and his older brother. They thought it best to keep the family farm under their care instead of hiring someone to manage it for them. Hamish studied farm mechanics, geology and farm business management in preparation for work on the land.

With about 500 head of cattle and 10 000 sheep in the grazing farm, the family business kept Hamish, his brother and his mother busy. But business-minded Hamish always thought there was money to be made somewhere else.

Until about 2000, Hamish had more than a plateful of business ventures to keep him occupied. Aside from the family farm, Hamish had another couple of businesses: a bottle shop and a service station. That was all on top of his own property investments and a grocery store (which he owns but is being run by a manager).

A few years back, Hamish found himself with some spare time when his brother bought him out of the family farm and the lease on his service station was not renewed and he and his business partner were forced to sell it out. With the extra cash and extra time, Hamish was on the lookout for a new business venture. Although he was familiar with and exposed to the sharemarket through his mixed investment portfolio (including property and shares), he had not had the time to immerse himself into trading because of his other business ventures.

After offloading some of his previous business ventures, he set his sights on trading: what he calls a low-overhead, low-expense business.

He attended a wealth creation seminar that strengthened his interest in trading and he decided to go into options trading. Hamish would find himself deep into options trading for the next three years, as have been many other traders who were lured by the seeming ease of trading and making money in options.

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Although this initial try at trading options had limited success, he was determined to get it right the second time around.

In hindsight, he said, 'It was a mistake. I may have made some money and lost some too. But at the end of the three years I might have only broken even. And considering it now, it was not worth it.'

Looking back, Hamish said his first venture into trading was not successful because he was just doing it by gut feeling. He did not have any solid or black and white plan or course of action. Hamish had been armed only with the theories from a few seminars and reading of some charts and books before setting out to trade, which he admitted was a haphazard approach.

Learning from his initial trading stint, Hamish was bent on being better informed for his second tilt.

He then discovered CFDs, which would propel his trading capital to lofty levels and his trading business to something he always imagined it could be.

Although he had not devoted regular time to his trading before because of his other businesses, Hamish made sure that this time, he spent more time learning about the markets.

'It can be done. You have to start doing it part time but you really have to spend time with it and on it. I think if you want to do something decent, you should devote time to do it. That's why I made time to learn to trade and to trade now, because I know there's money to be made in it,' Hamish said.

Trading places

It is 2.00 am in Sydney and Ian Harvey is checking how the FX market performed during the last trading period, as the European market closes for trade. The last time he looked at the market was 6.00 pm the previous night.

Ian looks at the major currency pairs he is trading, jots down the high, low and closing prices, keys them into his spreadsheets and

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waits for the computation to tell him what to do next: whether he will go long or short which currency pair and at what price.

In all, the process takes about 15–20 minutes including analysis and trade execution and order placement (if his system gives him a trading signal) and then he can go back to bed. The process will be performed every eight hours, trisecting the trading day.

Do you not wish trading was as easy as that? No fuss, no hassle (except for a few minutes of sleep interruptions), almost cold and void of any emotion.

When I talked to Ian, I could not believe that his successful trading was being done without any of the real drama and excitement that are normally associated with the high-stress and high-pressure world of traders.

Of course, Ian was talking about the style of trading he practises nowadays. But what you should know is that before Ian got to this stage, he spent about three to four years developing, tweaking and finessing his trading system, which delivers an enviable profitable record with low drawdowns but a spectacular win/loss ratio.

Although he is the first to admit he is no rocket scientist, Ian has an eye and mind for numbers and spreadsheets, which he used to come up with a trend trading system that captures medium- to long-term trends. Aside from the four years of development time, Ian had also spent a lot of time back-testing his system, using data from as far back as 1987.

Before he decided to trade on his own, Ian was a veteran of institutional trading. He worked on various trading desks for major Australian and international banks and financial institutions including Westpac, Banque Nationale de Paris, Bank of New Zealand, Credit Agricole Indosuez and Schroders Australia.

Starting as an FX trader with Westpac in 1979, Ian was one of the pioneers in Australia's foreign currency trading evolution. He joined Westpac even before the Australian dollar was floated on the international currency market in 1983.

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One of the memorable moments during his institutional trading days happened two years after the Australian dollar was floated. Over two weeks, the Australian dollar progressively moved downwards.

Ian was a senior FX trader at Banque Nationale de Paris and was holding a substantial long Aussie position as the currency was sliding. Despite his obviously vulnerable position, Ian was under instruction to keep on making prices, one thing he said an institutional trader has to do no matter what his position is.

He recalled that when the Aussie slipped down from its US 60¢ opening on that day, the Reserve Bank came out and placed trades aggressively to prop it up. Within two hours, the Aussie came back up from its low of US 57¢ to US 63¢.

Ian said he never worked out how much his loss was during that time but it must have been 'very high and well into the millions', although he was able to get out of some of his long positions and was square when the Aussie went back up to US 60¢ (to be square means to have a neutral position, neither long nor short).

'When you're a price maker, a lot of times you end up with positions you don't actually want. They get given to you and you have to be a price maker on the other end to be able to offload those positions,' Ian said. As an institutional trader at that time, he was more interested in turning over his positions, not in capturing a currency's movement one way or the other.

With the benefit of hindsight and more than two decades in institutional trading, Ian developed his trading system using the outstanding learning he took from running trading desks.

'I started developing this system when I must have done almost everything that could have been done inside an institutional trading environment.'

In 1999, when he decided that he had had enough of the corporate world and that he would like to do something on his own, he traded exactly oppositely to how he used to as an institutional trader. From being a volume trader to being a value trader, Ian found a way to deal and trade successfully from the other side of the dealing desk.

The worst of times, the best of times

Joe Farchione finished Year 12 and accepted the first job that was offered to him: bank clerk at a National Australia Bank (NAB) branch in Melbourne.

'At that time all I wanted to do was to get a job and the only jobs around then was with the banks,' Joe recalled.

Not knowing anything about how a bank operated, he put his head down and got on with his job until he was sent to the head office to do reconciliation and settlements. Little did he know that one of the bank managers was eyeing him for a role that would be a turning point in what he thought was his banking career.

From the humdrum and monotony of back-office work, Joe moved to what would become one of the most highly stressful and highly sought after roles in any bank: trader. Although he did not see a lot of action straight away when he joined the dealing desk because the Australian dollar had not yet been floated, Joe gained exposure to the world of FX trading.

For someone who was raised in a traditional Italian family, in which the father was the sole breadwinner, Joe found himself in an enviable and powerful position at the NAB after rising through the ranks from a bank clerk.

Nineteen years after joining the bank, Joe was appointed head of its currency trading desk, responsible for a team of FX dealers and a daily trading limit of approximately \$65 million (which was quite a substantial position for a dealing desk in those days).

For Joe, 2002 was the best of times. But it was also to be the worst of times, because he was made redundant by the NAB, his employer of 28 years.

'It was disappointing and at that time I couldn't believe that they could do that to me. I've been in the bank for so long and I've risen to a high level where I was head of a team of currency traders who deal with a substantial book. I wasn't given any choice at all. I was told that they were closing the Melbourne operation and that I

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have to take the redundancy,' Joe recalled what must have been an agonising experience.

And while being made redundant from any role would have a negative impact on anyone, it would have been extra unsettling for Joe. He had a wife and three school-aged kids to support and, at 46 years of age (at the time of the redundancy), his employment prospects in the corporate world were very poor despite his long, good track record.

On the other hand, the depressing impact of the redundancy was softened by Joe being given a bonus at the same time.

It was the best of times because it gave him the opportunity to trade on his own. After making money and delivering profits to the bank and his clients, Joe would have the chance to make money for himself and his family using the more than two decades of trading knowledge and skills he had accumulated.

Joe must be one of the very few traders I have talked to who did not go into a tirade about indicators, pennants and flags, Fibonacci sequences, moving averages, support and resistance levels and other charting jargon. That is because he does not use charts. He never has and he never will.

So how did he survive all those years trading the markets without looking at a single chart? What did he base his trades on during all those years?

'Maybe nine out of ten traders that you talk to will say they use charts in trading. I'm the only one who doesn't. I've done some courses in charting when I was just starting to trade but I never really used charts. I only watch the price action and it tells me everything that I need to trade,' Joe said.

'My boss [at the bank] didn't complain that I didn't use charts before. I think it didn't really matter if I used charts or not as long as I was making money [for the bank].'

Today, away from noise and bedlam of an institutional trading desk, Joe is very much and literally at home with his own private trading. Far from the madding crowd, in which everyone shouts buy and

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sell orders and everyone else is trying to get his attention to make a deal, Joe trades the FX market on his own — in the silence of his home office in suburban Melbourne.

The wealth creator and the options trap

Thirteen years ago, Justine bought her first three stocks on her grandfather's recommendation. Two years later, she sold the shares after a substantial increase in her trading capital.

Today, Justine had completely shed all the vestiges of her early start in the sharemarket. For one, she no longer takes any recommendations from anyone. She relies on her own analysis of the market and individual positions she enters. She has given fundamental analysis away and she trades with a systematic trading plan that she has developed over the years.

All these changes did not happen overnight. Justine was the first to admit her journey as a trader had its ups and downs. She recalled how she struggled with her patience (or impatience) and psychology when she was just starting to trade.

Bent on having a lifestyle that was not all about work and stress, Justine used whatever spare time she had (while working full time) to attend wealth creation seminars that talked about property investment, share trading and other finance strategies. She was also determined to have a family and a lifestyle that would support it. She was so determined to make this dream a reality that she gave up her marketing job and studied trading.

'I wanted to make my money work hard for me and I was eager to learn everything I can about wealth creation,' Justine said.

Today, she has an 11-month-old daughter (as of this writing), a loving husband and a lifestyle that enables her to spend a lot of time with her family. On top of that, her trading capital has grown substantially and she is only trading for about one or one and a half hours each day. Trading is now her full-time job.

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When I met up with Justine for the first session of our interview, enthusiasm and interest in trading were evident in her tone of voice and speed of talking, although her manner of speaking shows a very calm spirit within.

She said her trading had been a real spiritual journey for her: a process of finding herself and understanding her strengths and weaknesses and her reasons for doing things, which are helpful in her successful trading.

Although it was a trading day when we first met and the market was busy, Justine did not rush through the interview to go back to her laptop computer to monitor her trades. It was only 12.30 pm and she had about three hours to spare before she checked the market again before the close.

Nowadays, Justine spends the last half-hour or hour before the market closes (either from 3.00 pm or 3.30 pm) trading. This is a far cry from her early trading days, when she used to spend almost 24 hours in front of the computer watching the market. That manic practice not only gave her burnout but also caused her to overtrade.

‘When you’re watching every move of the market, every up tick or down move of your positions, that’s when you get emotional and you start making irrational decisions. I saw it happen to me and it took some time to realise that that’s not what I want and that’s not how I want to trade.’

Justine recalled how, as are many others lured by the promise of get-rich-quick schemes from wealth creation promoters, she was attracted to options trading. She said most of the seminars she attended made her feel it was easy to make money trading options, so she gave it a go.

‘Those seminars made me feel and think that I can make money so easily and in no time at all. And I fell for that promise and I soon found myself trading options.’

‘Everything seemed to happen very fast with options. I did very well in my first few months of options trading and started to become more focused on money rather than on good trading,’ Justine said.

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What she did not foresee was the damage that options trading would do to her. On 11 September 2001, her call/put options wiped out 10 per cent of her trading capital. She admitted it was a scary position and it forced her to stop trading for a few weeks.

'My good run with options caused me to overtrade, which is not a very successful activity in the market. After a year of trading these instruments and being stuck in front of a computer screen, I realised that the effort involved compared to the reward received was not worth it,' Justine said.

With the benefit of hindsight, Justine said her early wins in options trading reinforced the misconception that she could make easy money in it.

'I think it was worse for me because I made money right away and that reinforced my thinking that it was easy to make money. Then my losses started coming in and I had to give back most of my winnings.'

She added that one of her early mistakes was to focus on making money and lots of it. When she made a substantial amount of money during her first two months of trading options, Justine's ego got the better of her and she took more risks than necessary, thinking that if she could make so much money in such a short time, then she could really amass a great amount of wealth by doubling her positions and doing more trades. And she did but to her detriment.

She ended up giving away options trading and focusing again on her share trading, which evolved into dealing in CFDs when they became available in 2002.

'I must be one of the first to trade CFDs when they came to Australia through CMC Markets. CFDs are great and I like them because of the leverage [small margin requirement to trade] and I'm able to trade both long and short positions on a wide range of markets,' Justine said.

Justine's trading career shows that if done properly, trading can deliver more than a regular full-time job can bring in salary and other benefits. It also emphasises the importance of finding and trading the 'right instrument'. Do not trade anything without

studying or analysing its profit potential just because someone tells you it is a good product. You have to know the instrument you are trading to trade it profitably.

Systematic slide into trading

After spending more than 10 years in various overseas postings and climbing the corporate ladder, Kin Lee decided to pursue a slightly different path for his children and his career.

With his background in finance and as a chartered accountant, Kin worked with Colgate Palmolive in various capacities for more than 20 years. His last five years with the company were spent as financial director. Before that, he moved from one role to another about every two years, so that he did not become bored and got to know the company and its operations inside out. He was still very happy and satisfied with his job at the company when he made the decision to resign.

The reason was that with his kids growing and needing to establish friendships and the rest of a support network for the long term, the prospect of another overseas posting did not make the same appeal to Kin when he was offered to take on another role in Asia. He decided to resign and moved his family back to Sydney.

'We've been "on the road" for a long time and it is getting difficult for the kids as they can't establish any long-term friendship because we keep on moving. We've decided that after all those years uprooting from one place to the other, we would settle in one place so that they can develop a strong support network,' Kin said. This move would also pave the way for his successful trading.

True to his nature and given the systematic way he operated in the corporate world, Kin made sure that his entry into the world of trading would be as smooth and well planned as possible.

So while he was still working full time as financial director, he took up a postgraduate course in technical analysis at the Securities Institute of Australia. The course gave him a strong foundation and

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a solid understanding of technical analysis, although he did not think it really helped him with his trading.

'It is a start, but you have to build on it. The course gave me the theories, but you still need the practical application when you actually trade.'

Always realistic and pragmatic in his approach to whatever he does, Kin tried to supplement his trading theories with actual trading experience. He tried to learn from other Australian traders but he was disappointed when he found no one he could learn from.

'Based on my experience, there are not a lot of outstanding traders in Australia whom I can learn from. This was really frustrating for me and it was struggle during my first two years of trading as I was trying to build up my skills and there's no one around to learn from. I had to look to US traders and learn from their style and strategies,' he said.

After some initial hit and miss during his early trading days, Kin is now more confident with his own trading system. Today, Kin uses a mechanical trading system, which takes away the emotional pressure from his trading.

'Now I know what I need to do to survive, what I need to do to make profits. That's the way I should make money. Improve and focus on the positive outcome. Stick to your strategy. This is the outcome that I'm after.

'I'm very systematic with my approach. It is a discretionary process but it has to be systematic at the same time. I keep it systematic in the sense that if my system gives me a signal to buy, I will buy and if it gives me a signal to sell I will sell,' Kin said.

Pitbull of a trader

Mark left school after finishing Year 10 and became an electronics technician. After fixing televisions, video recorders and other electronic gadgets for 10 years, a short working stint as a bouncer

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in the UK and playing a part in a Jackie Chan film, he was able to save up some money to start in trading.

Using the same mental toughness and discipline he developed over the years with his body-building program and with success always at the back of his mind, Mark had a realistic approach to trading. He did not expect things to be easy and to be given to him in a silver platter. At the same time, he believed that despite the challenges and difficulties he would encounter along the way, success would not be far away if he put his mind and heart into it.

Today, Mark trades everything and anything that moves using his proven and profitable system. After giving up trading Australian shares because of difficulty in short selling a few years ago, Mark discovered futures and FX trading that allow him to trade the Asian, UK, European and the US markets on a follow-the-sun cycle, which allows the maximum use of his trading capital.

Mark made the decision to go into trading after spending a year and a half doing security guard work in London's clubs. The London stint served as his transition job because he had felt the need to do something different after being an electronics technician for 10 years.

'I like being a technician and I enjoy the job. But after 10 years of doing the same thing over and over, I felt it was time for some change,' he said.

When he returned to Australia, he went back to doing electronics repair work for a while. Then not long afterwards, he tried to do full-time trading for six months. But he did not do well at all.

Mark started trading shares in the middle of 2000 — just a few months after the tech-wreck, when many of the shares and sectors were still nursing their battle wounds from the technology bubble bursting.

He thought it would be safe for him and that he could ride the recovery as the stock markets tried to make a comeback. He was exclusively trading Australian shares using a systematic methodology that was delivering him a nice profit. Then 11 September 2001 came.

'I almost got wiped out. I watched as all my stops got hit one by one. But I did not give up. I just changed my focus,' he said.

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He did not give up trading altogether but he gave shares up. Instead, he looked for ways to short the markets and found that the futures market was the best avenue for him.

'I think it was mainly because I did not have the proper knowledge and understanding of the market when I tried to get into it the first time. I did not have the right mindset at that time,' Mark said.

Although he did not make enough money to survive the first six months of trading and had to go back to being a technician to supplement his earnings, Mark was determined to pursue trading; this time with a lot more mental toughness and persistence in getting his system right.

At the same time he educated himself through books and seminars about trading futures, technical analysis and building trading plans. Where he lacked in university or advanced education, Mark filled the gap with a lot of self-education: reading books, scouring the internet for relevant materials and doing a couple of online courses about trading and technical analysis.

Today, with memories of his early trading days fading almost into ancient history, Mark is scaling new heights with his trading. His mechanical trading systems allow him to trade all the global markets and almost all the financial instruments that meet his trading requirements. He added FX trading to his trading portfolio more than a year ago and he is still on the lookout for more and better opportunities. Mark will continue to trade anything and everything that moves.

DIY trading

Maurice Taudevin was 40 years old and reasonably well-off when in the space of one week he lost almost everything when his first wife left. It must be a long and painful story and Maurice understandably did not want to go into the details. However, he shared some financial details that would prove instrumental in his eventual success in life.

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‘Financially, I lost everything. I was left with a house with a mortgage. I could not afford to pay electricity and a lot of things we used to take for granted. I could not afford to drive a car and for three months I slept in a dark house. I was eating only noodles and rice — that’s all I could afford.’

It was a big wake-up call for Maurice, who realised the need to manage his life much better.

‘Despite the sad and depressing circumstances, it proved to be a good turning point for me. It gave me the inner strength and the power to focus. I sat there and thought things out thoroughly. I told myself I need a plan on how to get out of that mess.

‘That’s when I started on a program to write out my goals: short-, medium- and long-term goals. I became more goal oriented from then on.’

For the next four years, Maurice would be working in a subdivision project. He worked so hard that within four years he was able to get his properties back and his finances in order.

Going back to his written goals, Maurice identified trading as a long-term goal that would give him continuing income when he reached his planned retirement age. After rebuilding his finances and establishing an investment portfolio that includes properties, term deposits and other traditional investments, Maurice set his sights on learning how to trade in the markets.

After successfully leaving his engineering consulting business, Maurice had channelled most of his focus and energy into his CFD trading.

Maurice has always had some exposure to the sharemarket and other traditional investments. He had some properties and term deposits and he thought he knew what share trading was.

But he did not really know the difference between investment and trading. When he was looking at trading as an alternative source of income into his retirement age, he was not doing much learning about it.

When he identified share trading as a long-term goal, he made sure he did his homework.

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So he embarked on a self-learning program, bought many books and read.

After more than two years of reading about trading, Maurice thought that he was ready to trade. He bought some NAB shares and watched them go down in price and he realised he had paid too much for his first share trade.

His early days trading the markets became a process of sifting out the rubbish and more learning from seminars and more trading books.

Today, Maurice trades using a mechanical trading system he has developed to trade CFDs. The system, which uses predefined entry and exit signals, allows him to trade without the pressure and stress of emotions.

'My entry routine is defined to a degree that the process of entering or exiting the market is as mechanical as I can make it. At the end of the day, the decisions have to be totally nonemotional and will provide the confidence to pull the trigger,' Maurice said.

From wards to charts

Tracey Blore knew that she would be a nurse when she was in Year 10. For more than 26 years she did shift work as a nurse and midwife, attending thousands of births. Five years ago, she discovered trading. After dabbling in it and realising she could make more money trading than doing unholy hours of shift work, Tracey resigned from her job and decided to trade full time.

Being a midwife has its share of problems and challenges, just as does her newfound profession as a trader, which she considers the next step in her working career.

'Things don't always go right. Babies die. Mothers die,' said Tracey as she recalled some of the stressful days at the ward.

'I have certainly seen some deaths. I haven't been involved in any mother deaths (thank goodness) because they're getting rare. It can get scary and things happen very quickly in birthing suites. A lady

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can haemorrhage after she has a baby. It can be a stressful job and over the years the job is getting tougher.’

Despite the rewards that come in the form of the satisfaction and sense of achievement in having helped mothers and families during one of the most special times in their lives, Tracey felt she had had enough of a demanding job. She decided to take early retirement to go full time with her CFD trading.

The potential to replace her income from being a midwife and the attractive possibility of being a successful trader — something that she had not really considered in her previous life — were more than enough reason for Tracey to make the move.

‘Another major reason to trade full time was so that I can spend more time with my family. Working from home means that I can be with my children before and after school. I can help them with their homework and be the taxi service for all their activities instead of relying on babysitters and other people. Life in a house where both parents are shift workers can be stressful at times,’ Tracey said.

Determined to make trading her full-time job, she embarked on educating herself about the markets, developed her own trading strategy and worked on her emotions and psychology.

‘Many people go to university and come out with a degree after three or four years; for me, I’ve always attributed my trading cost and losses to going to university. I look at my trading cost as the cost of learning. That’s the cost of my education as a trader.’

And similarly to many traders who consider trading education as a prerequisite to their trading success, Tracey did not skimp on her training for the markets. She attended many seminars and courses from candlestick charting to trading various instruments and technical analysis.

She said attending seminars and courses exposed her to likeminded people and traders, who in turn gave her the confidence to go out there and actually trade.

‘You have to go and learn about the market before you start. It was difficult to get everything out of the book, even though you can.

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I certainly don't regret those early seminars. They're invaluable to me — just exposing me to other people. That's part of the value of going to seminars.'

Today, she is a much more relaxed and profitable trader and she believes her successful trading career has just begun.

Tracey did not go into full-time CFD trading blindfolded. In 2001, she had her baptism of fire by trading options using a full-service broker. Although well aware that she was still a novice at that time, Tracey plunged into options trading because of the lure of quick and easy money.

'It's probably naivety on my part (that's why I got into options straight away) and most of the people that I read about in the trading books I accumulated were all trading options and warrants. I didn't have a lot of exposure to shares though I've seen my husband buy and sell shares before, but not very actively. He was more of a buy and hold investor rather than a trader,' Tracey recalled her start in trading.

Although she was not proud of her record as an options trader, Tracey said she treated that experience as a learning process and her introduction into trading.

Take home points

As these traders have shown and proved with their success in trading the various markets, you do not need an MBA or a fancy degree to make money in the markets.

However, based on their experiences, you need more than an academic grounding to survive and thrive in the markets. These traders, coming from different backgrounds, learned to trade in different ways. Some followed formal and structured trading courses, some taught themselves to trade, some were thrown into trading. Common threads that bind all these traders are a strong desire to succeed, a determination to win and persistence to keep on trading.

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You need to prepare for the market. It is one place where you do not want to get caught with your pants down. And it is definitely not the place to try to 'wing it' either. No matter what your misconceptions are or how glamorous the images of the market you have in your mind, you had better do your homework before you take the plunge.

Once you are in the market, you need a lot of discipline, consistency and persistence. Although all these words may sound simple and easy enough if you know you are hard working and smart with what you are doing now, you had better take another hard look to consider these words and weigh what they require from you as a trader.

A few questions may get you thinking. Do you have the discipline to look at and analyse the market every day or every night to monitor your positions or to look for potential trades for the next day? Are you disciplined enough not to throw all your trading capital into one single trade? Can you consistently devote time to studying and analysing the markets even if you do not have any open trades? Do you have the persistence to continue trading or to come back the next day even if you have had losses in the past two or three days? How long can you keep at it if the market knocks you back again and again?

Trading may not require you to have an MBA or any advanced business degree but it definitely requires more from you than you could get from any business school. As one veteran trader told me, 'Nothing can prepare you for [trading] the market but the [trading] market itself.'

Some of the recurring points from these successful traders that you have to take on board as you prepare to trade or as you move to the next level of your trading include:

- Find a trading tutor or mentor who can help you get started and give you a solid foundation for your trading. Find someone who trades for a living, not someone who only watches the markets.

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- You need to spend time and learn how to trade properly. You have to do your homework before you take the plunge. Trading education is important if you want to succeed in trading.
- You can do trading in combination with other business ventures or while having a full-time job. You can be a part-time or full-time trader depending on how much time you want to dedicate to it.
- Develop a trading plan that suits your personality and stick to it. Your trading plan must spell out the details of your trading activities, including your entry and exit strategies, capital allocation, stop-loss and profit-taking approach and markets and instruments you want to trade.
- Make your trading as emotionless as possible by adhering to your trading plan. Watching the market too closely can only add to your stress and emotional response to the market.
- Sometimes trading means you have to take a different path from everyone else. You have to be able to go against the crowd at times.
- Be discerning and do not be affected by the 'noise' in the market.
- You will not learn how to trade until you put your money on the market.