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LOOKING AHEAD

THE AUSTRALIAN STOCK MARKET- WHERE IS IT HEADING?

TIME FOR AN EVOLUTION

From emotion to mindset

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THE VICIOUS CYCLE

Breaking the beginner's luck

WHO IS A REAL TRADER? | WHAT MAKES A TRADER UNHAPPY?

TRADER'S STORY

Erica Bacon is a 58-year-old full time trader. She had been a public servant for most of her working life. Currently she is the chief navigator for an indefinite nomadic existence in a serious off road caravan that she shares with her husband. Originally from Brisbane, after finishing work early in 2013, Erica and her husband have been touring Australia as "grey nomads" with no fixed address. She has been trading on and off for the past 7 years and consistently for the last 18 months. Erica mostly trades Australian shares in the Top ASX200.

How and when did you first become interested in the markets?

When I turned 50, I decided that I needed to take more control over our financial affairs/future, something my husband and I had neglected in the past. My husband Ken is an accomplished theatre nurse and a gorgeous human being. He has very straight forward needs, goals and aspirations. I came to realise without any resentment, albeit late in our marriage, that if I wanted more for us financially, then I would have to make it happen. I couldn't and shouldn't leave it up to Ken, as he just wasn't interested. I was an absolute novice at wealth creation and needed to learn some strategies quickly.

considerable amounts of money on several weekend courses in Options, CFDs and Futures.

Like most traders who go down that path, I crashed and burned big time. I had my ever-supportive nurse husband begging me to apply a tourniquet to our life savings because for him it was simple; a good nurse never lets a patient hemorrhage. Referring to risk management, it was a profound metaphor for me.

This was very confronting, as I just could not believe in failure. I had enjoyed success with almost everything I had undertaken in my life and failure did not compute. Yet, here I was feeling absolutely devastated.

Ken asked me to stop trading, and I

order to become the turtle and not the hare I must apply myself to the course with rigor and discipline, and not trade fast markets.

Whilst completing the Diploma in Share Trading and Investment course in 2011, I realised how much I enjoyed the actual process of trading and the learning process. The study was not daunting as I found a passion for it. It was intrinsically rewarding as I started to enjoy the journey and stopped trying to speed through the process. Given my past I still didn't have the courage to trade live at this point. I finally started trading live in early 2013, when Ken and I gave up work and became nomads having sold our home the previous year.

I had enjoyed and learnt so much that I

I came to realise without any resentment, albeit late in our marriage, that if I wanted more for us financially, then I would have to make it happen.

I enrolled in a share trading course and dragged my long suffering husband along for a couple of weekends as we learnt the absolute basics. I thought, how hard could this be? I soon discovered, how demanding, time consuming and heart breaking it is without the right knowledge, skills, and experience. At the time we owned no other assets besides our home and industry based superannuation funds.

And then what happened?

I was not only as green as grass but also very impatient (code for greedy), and so I went off to explore a range of trading strategies, particularly ones that promised high returns. I was like a kid in a candy shop, with eyes bigger than her stomach. I spent

remember ringing my broker to cancel the account when he asked if I had heard of Wealth Within courses. He strongly recommended I contact them before quitting, and consequently, through the fog of my bruised ego and a very depleted account balance, I made the call and I am so glad I did.

How have you been able to learn and educate yourself about the markets?

Even though I was a monumental failure and had tested Ken's patience to a breaking point, I could not quit without one last attempt at a well-orchestrated fight back campaign. Ken and I agreed that this was my absolute last chance to succeed and that in

enrolled in the Advanced Diploma, as an interest while we were on the road, exploring Australia in our brand new off road caravan, Ken agreed never to be too far away from a reliable Internet connection so I could complete the course and start trading. I completed this in December last year and remember doing the last exam from a camp site overlooking the Bass Strait on the North West Coast of Tasmania. It was absolutely beautiful.

Attending their annual Art of Trading workshop in 2013 some significant pennies dropped and I found the confidence to start trading again in earnest. I revised my trading plan by back testing until I eventually landed on a strategy based on Time, Price and Pattern that I feel comfortable with. It was a wobbly start for the first 10 months, only

The memories of those earlier devastating losses trading CFDs are etched into my psyche.

breaking even until about July when I found the courage to stick to my trading rules and my account slowly started to increase.

Did you make mistakes when first starting out?

Definitely, the memories of those earlier devastating losses trading CFDs are etched into my psyche. Now I know I sabotaged some of my early trades last year by panicking and not sticking to my trading plan when the market retraced. Fear of loss caused me to adjust my stop loss and cut trades before they had a chance to cook.

Would you define yourself as a discretionary trader, a mechanical trader or a combination of both?

I would definitely define myself as a mechanical trader, which is important in my development because it is about honouring the work I invested in back testing my strategy and trusting my analysis. In time, with consistent results and greater confidence, I will permit myself to indulge in what others refer to as the "Art of Trading" rather than the science.

Who have been some of your mentors and role models? What impact have these people made on you personally as well as on your trading style?

I feel enormously privileged to have been taught and mentored by Dale Gillham and his wonderful team at Wealth Within. I am constantly amazed and delighted as each new technique presented sheds more insight into how markets unfold and how they sometimes don't. They inspired my healthy respect for the language of bar/candlestick charts as well. I am convinced that learning this language is a life-long

pursuit and not something to be learnt in a weekend, as many other educators would have us believe.

I really appreciated the systematic and thoughtful way the course was designed and delivered. Every skill taught was then thoroughly tested by me, which is why I was able to confidently apply the techniques. I desperately needed this kind of structure, so that now, when I am managing my trades, there are less surprises and I can relax knowing that I have managed my risk.

It was drummed into my thick head that trading well is 90 per cent psychology, i.e. having a calm mental and emotional state. Therefore, I make sure I am in the best physical, mental and emotional state in order to support my trading efforts. To this end, I find a daily yoga practice particularly helpful. I learnt that I could no longer be in a hurry to make money from the markets any more than I can sit in a lotus position if my knees won't agree. The market will move when it is ready and not a single moment before.

Can you give us a brief overview of your trading style?

Currently my trading is aimed at generating cash flow to supplement income until retirement, whilst our "nest egg" delivers growth. I have two portfolios based on a short to medium term strategy of 3 to 18 months trading the top 200 Australian shares. These are selected on technical analysis primarily by starting my analysis on monthly charts. Subsequently when my criteria are met, I proceed to the weekly chart to fine-tune my analysis for an entry or exit. It is difficult to judge how much time I actually spend on managing them because I am for many hours back testing to determine whether my strategy actually suits a stock before I include it on my watch list.



Is there any one trade (win or loss) that had a profound effect on your development as a trader? If so, what did you learn from the trade?

I was long in a CFD on Transfield Services just after the Global Financial Crisis. I thought that the market had turned, so a long was a sure bet. Unfortunately it went into a trading halt, and when it resumed, trading opened at about 20 per cent below the previous close. Ouch! It hurt. This was the moment I realised enough was enough as I had incurred too many losses. In hindsight I now know that I was trading on speculation, NOT confirmation. Speculation is now an absolute "no go" strategy.

Can you tell us about your best and worst trades?

The above-mentioned example would have to be my absolute worst trade ever.

For me, any successful trade is one in which I have remained absolutely faithful to my trading plan: win, lose or break even. However, I must admit, profitable ones are the best. One I currently still hold is Aquila Resources. Although I haven't exited from this yet, I am enormously pleased with how I have traded it.

After back testing this stock and achieving a 90 per cent hit rate, I concluded it would be an excellent stock to place on my watch list. Entering on a weekly chart using Dow theory it initially dropped to within \$0.01 of my stop, and then went up approximately 30 per ▶

cent before falling away again to just below where I entered all without giving me an exit trigger. The stock is now trading well above that and I now have a trailing stop, which if triggered, will deliver a 60 per cent profit. I would never have been able to trade this way with confidence without the benefit of back testing and understanding how the stock might behave before I put my hard earned money on the table. Time will tell how this trade unfolds. But so far, this would have to be my best trade ever.

market or stock I am trading. All that matters is that my strategy delivers a consistently profitable result. There is no point in becoming attached to any particular stock or instrument if my strategy doesn't suit it. I am open to trading any market based on this criterion. However at this point in my trading, I don't feel the need to expand my focus to include additional markets or instruments. I have enough to keep me happily occupied and interested with my current watch list, which includes about 20 stocks.

possible risk and exit at the latest possible time, with the most profit.

Ed Seykota says, "Everybody gets what they want from the markets." What do you 'get' from the markets?

I am very committed to my own personal journey of self-discovery and being the best that I can be. The personal qualities I get from the market are those that I believe are required for my success and ones that I aspire for other areas of my life. These

All that matters is that my strategy delivers a consistently profitable result. There is no point in becoming attached to any particular stock or instrument if my strategy doesn't suit it.

Would you classify yourself as a short-term or a long-term trader? What advice would you offer to people getting started as traders on the relative merits or otherwise of each?

When I started, my goal was to make as much money as possible in the shortest possible time frame, and so initially, I put my energy into developing a short-term cash flow strategy. After doing comparisons of back testing results between a short-term strategy trading with leverage and a more medium term strategy on just shares, it soon became evident that a short-term strategy was not necessarily more profitable. In fact my research suggested that a short-term strategy involved a whole lot more trading that didn't actually deliver the profits commensurate with a medium term one. Now I believe that slow and steady will get me where I want to be within the next 2-5 years with loads of time to enjoy our nomadic adventure.

My advice is, don't do what I did at the start of my trading journey. I started with fast markets and in the blink of an eye came perilously close to severely undermining our financial future. Also get a good education, not just any education.

What markets do you trade and which markets do you prefer? Do you have a favourite, and why?

I trade Australian stocks in the Top ASX 200. I don't have a favourite as it is irrelevant what

What makes your trading style different from others? What sets you apart from other traders?

I have a humorous response to this question. I think I must be a stand out because of my initial stupidity. However, in fairness to myself, I couldn't have been totally reckless, because I am still "standing" and fingers crossed will still be trading financial markets well into my twilight years. I am sure there are others who have taken similar uncalculated risks, but didn't get to stick around. But perhaps that is what makes me a little different. I have not given up and have persisted against what seemed like insurmountable odds. I am also not afraid of hard work and I have worked my butt off to learn what I needed to learn.

Do you have a favourite trading rule?

I can't single out one favourite rule because my strategy depends on the interface or confluence of a number of different rules. I don't rely on one to enter a trade, but rather I wait for my Time Analysis to align with my Price and Pattern Analysis. All three must be evident, on the monthly chart, then on the weekly chart, and occasionally on a daily chart, before I will consider entering or exiting a position. The alignment of time, price and pattern is what lights me up as a trader because it allows me to enter at the earliest possible time with the lowest

qualities to name just a few are: patience, perseverance, diligence, discipline, being process focussed and detached from outcomes, humility, boldness, clarity, and a compassionate acceptance of self. It may seem strange to some, but for me the "market" is an immediate and uncompromising teacher of these attributes.

How has trading affected your lifestyle?

I can't boast huge profits yet, but this financial year I have managed to make a profit in both super and personal accounts, which out performed any fixed term deposit interest that I may have otherwise realised. This means that we have the funds to continue with another year of our wonderful adventure around Australia. We would have been looking for jobs otherwise.

What books, seminars and courses have you read or attended and which would you recommend?

I would highly recommend the Diploma and Advanced Diploma Courses offered by Wealth Within. I am incredulous of my progress since I embraced the skills, knowledge and ongoing mentoring and support these courses offer. I wouldn't recommend any other courses I have done.

I learn by doing rather than reading books, so haven't read many texts on trading. I

do, however, keep a copy of "Trading in the Zone" by Mark Douglas close at hand. This text is wonderful as it assists traders to actively manage their emotions while trading.

What does the future hold for you?

As far as the markets are concerned, I believe that there is no end to learning. I intend to keep learning and becoming even more profitable in the future. I am very fortunate that as a grey nomad, there are very few demands and pressures in my life currently and for the first time in my adult life, I have the wonderful luxury of TIME. I make sure to use quality time that is absolutely necessary for making sound investment and trading decisions.

I believe that Ken and I will be free of financial constraints so that we can continue our nomadic life for however long we choose. In any case our lifestyle will be one characterised with adventure, spontaneity, independence, fun and simplicity. We will feel more vital and alive, eat well, move freely, breathe deeply and sleep soundly. It doesn't get much better than this. 🍷



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