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TRADER'S STORY

Kelli Foulstone is a full time audio engineer specialising in commercials and a part time trader. Kelli lives in Melbourne, Australia and has been trading for two and a half years. She recently set up a small business in the Traffic Management Industry that is keeping her very busy. In her spare time (ha!), she goes fishing with her husband in their boat. Kelli is looking to turn trading into a business that she can run successfully from home and enjoy the flexibility of working the hours she chooses.

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

Kelli Foulstone: After several years of working at my first job, I noticed that my superannuation fund wasn't really doing anything. I was intrigued by the fact that I didn't really have any control over this portion of my wage and that someone, somewhere was investing my money and I had no idea what they were doing. From this point I began to investigate how the markets worked with the view of taking more control over my super.

And then what happened?

Work really kicked off and I moved around the country a couple times. As my work situation was keeping me so busy I kept putting off looking into understanding more about the markets. In the back of my mind though, I kept having the same thoughts of wanting to know how I could take more control over my superannuation. After procrastinating for far too long, I finally jumped online.

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

I didn't want to do a one day/weekend course as I knew that it wasn't the kind of education I wanted. Eventually, I signed up for the Diploma of Share Trading and Investment course in 2009.

Did you make mistakes when first starting out?

Yes! Reading too many newspapers (information overload) and passing comments from people that I was making a huge mistake learning how to trade really

knocked me around for a while. But my results following the Diploma course tell me otherwise.

For me, the most important lesson was changing how I dealt with mistakes. Right from the start, I knew that if I make mistakes, I needed to understand where I went wrong and implement changes to improve both my technique and psychology.

After a couple of losing trades in a row and a bit of a mental bashing, I had a chat with my mentor and they suggested that maybe I should celebrate my trades as I had exited each stock as per my trading plan rules. It was a turning point. Having this disciplined approach enabled me to exit trades quickly and with no emotion...well... some... but not enough to lose sleep over.

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

I would say that I am both but closer to a mechanical trader. I always back test and have a specific plan for each stock that I trade. This means that as soon as my entry or exit rules are satisfied I pull the trigger. When the market is acting as volatile as it has recently, it's great to have a solid trading plan that I can rely on to assist me with my decision making process. It allows me to keep focused on the broader perspective of my investing as my trading plan tells me when I am going to both buy and sell. This saves a lot of time and keeps my trading stress free.

Having a trading plan also allows me to keep things simple as I sometimes tend to overcomplicate things. I asked my husband once what he thought of a stock I was

analysing. His response? "I can't see it because of all the stuff you've got over your chart." Point noted. I removed all my analysis and asked what direction he thought it would go... "It's going up," he said. I loved his response because he was right and I was over-analysing.

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 find that to be successful, you need to surround yourself with people who inspire you to become a better person and trader. Through the Diploma course, I received tonnes of support from the educators and have learnt so much from them with regards to share trading strategies and techniques and setting goals. Their focus on psychology had such a strong impact on me and I cannot say enough about being honest with yourself and understanding the things that make you tick.

Personally, my parents have really encouraged me to be successful in whatever I chose to do with my life. Growing up on a farm, I knew that milking cows was not an option and it has only been in the past two years that I found out my dad traded shares 40+ years ago. I now have one of his original 'certificate of purchase of shares' framed and hanging in my home office.

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

Typically every quarter, I like to do a fresh top-down analysis by comparing indexes and sectors on a monthly chart to find the

strongest performers and generate a list of stocks using the research tools available through my broker. While I don't rely solely on fundamental data for stock selection, I like to add certain information into my trading plan like PE ratio, dividend yield and EPS as these are important considerations in my stock selection process. From here, I would look to monthly charts in Market Analyst to reduce the number of stocks down to a more manageable list that suits my portfolio.

With each stock, I like to detail support and resistance levels and Elliot Wave on the monthly chart to gain a 'bigger picture' view of the stock. I will then look at the whole history on a weekly chart and conduct back testing to determine the best trading technique to use. Other things I do include are analysis of patterns, recognition of reversal signals and price extensions/retracements; all of which help to uncover the 'personality' of the stock and form the basis of my trading plan.

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?

My first trade was one of the scariest things I have done. Despite all the back testing I had done and 'thinking' that I was organised and ready, my first trade proved to me just how different it is when using real capital.

I had never really considered the day-to-day unfolding of a stock because when I'm working through my analysis I focus on the history of a company. However in real life, it hit me just how emotional you can be as you see a stock unfold day by day. I found it agonising to watch the stock unfold. I then found myself watching the market every



minute to see how my stock was going and I was happy when it went up and disappointed when it went down.

While the trade was profitable and I abided by my rules, I wasn't prepared for the emotional rollercoaster that was to come with trading and realised that I needed to work on a few areas – changing my post-trade analysis to strictly once a week was a move in the right direction.

Can you tell us about your best and worst trades?

My best trade/s would have to be with Caltex simply because of the fact I have so much confidence in my trading plan and have traded this stock profitably over both medium and short-term time frames averaging over 40% profit per trade. I first came across CTX when a trading group I was involved in raised the company as a discussion point. I researched the company

further and developed a trading plan for it that I still use today, albeit with a few extra modifications.

My worst trade would have to be Onesteel (now known as Arrium) last year and it went up some 80% before falling in price, changing company name, breaking through support resistance levels, trend line and stoploss to fall some 35% below my buy price. While the stock has since found some support and moved back up above 45% profit, I had to re-evaluate my trading plan to ensure that I sell my stock when next triggered. In hindsight, I don't think I was ready to accept such a loss and that type of thinking can have devastating results. I've so far been very lucky in the way it has recovered ...but until such time I close the trade and have the money in my bank account, I am watching it closely to ensure that this time I abide by my exit rules.

I can see my trading allowing us to do the things we want to do – spend more time with our families and friends, go travelling around Australia and enjoy more family holidays overseas.

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?

I am definitely a medium to long-term trader. Currently work, study and other recent changes in my life play a big part in how much time I can dedicate to managing my trading, so a medium portfolio strategy works well for me at this stage.

In the future however, I will re-evaluate my portfolio and look to an additional short-term cash flow strategy, as there are some fantastic opportunities to trade over a shorter term time frame and make some extra profits. In the interim however, I will watch, learn and paper-trade and that is fine.

I think it's really important for new traders to be honest about how much time they can dedicate to their trading – research, back testing, paperwork – these all take time and if you don't have it, you can run the risk of making some bad decisions and losing money.

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

I have only traded the ASX and currently see no reason to venture into global markets. The Australian market has been strong and I have been able to trade consistently. If anything, I would like to look further into commodities purely because I find it such an interesting market.

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

To be honest, I don't think I am necessarily 'different' but what I do know is that I am prepared to put in the hard work to be a successful trader whereas some people

may not be as prepared to put in the same amount of work. With every new technique I learnt during the Diploma, I immediately practiced on stocks. If I didn't understand something I immediately sought help from my mentor to further understand the subject. The amount of emails sent back and forward was crazy but you have to be prepared to have this type of dedication if you want to succeed.

Beyond that, I would say that listening to the right people is very important. Everyone has a different journey and it is so easy to think that you know it all because you've had a couple of successful trades...by listening to other traders, I have been able to learn so much more and adapt when needed.

Do you have a favourite trading rule?

I like them all! With back testing, I simply start with a rule that I believe will best suit the stock and my portfolio requirements. If anything, I have a 'least favourite' trading rule in counter-trends. Given this is more of a short-term trading technique and I am focused on medium to long-term trading, I haven't really dedicated the time to understanding this technique in full. I do however have a passion for patterns – in particular candlesticks and bar reversals – and spend time in researching and back testing how a stock reacts to these patterns. By doing this, I have been able to tweak my trading plan rules to include strategies that take into account the personality of the stock and how it may react when these patterns unfold in the future.

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

The flexibility and the freedom I gain from trading the market is such a confidence

booster. The trading itself is so different from the work I do and gets my mind really thinking. Sometimes in life you need to challenge yourself... trading is certainly that!

How has trading affected your lifestyle?

It hasn't really changed much yet as my husband and I love what we do in our respective workplaces. I can however see so many opportunities in the future where trading will really change things and allow us to do what we want, when we want.

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

The courses at Wealth Within are both highly recommended as is the workshops that they hold very year. Without them, I wouldn't be the trader I am today. I've done a few courses through work regarding basic NLP (or Social Thinking) and psychology, which has helped me immensely with the psychological side of trading. I tried reading a finance book once and I fell asleep...

What does the future hold for you?

I'm recently married so I am really excited about what the future will bring, and what opportunities we can create for ourselves.

I can see my trading allowing us to do the things we want to do – spend more time with our families and friends, go travelling around Australia and enjoy more family holidays overseas. I've always wanted to go to Canada to watch a real ice hockey match and I can now see the real possibility of it occurring much sooner.

Trading will be there with me... sometimes trading, sometimes not. The market will always be there and I'm in no rush. 