

# TRADER'S STORY

Get to know your fellow traders. YTE speaks to trader **Teengs Smit**

**Name:** Teengs Smit

**Work status:** i.e. do you work full time and trade on the side, trade full time etc? I choose to work because I like what I do. As for my trading, I trade on the side and primarily do my analysis in the evenings and over the weekend.

**Occupation – or past occupation:** Analyst / Chartered Accountant / Assessor

**City/town or Country you live in:** Melbourne

**What do you trade?:** CFD short term and stocks medium to long term

**Number of years trading:** +- 6

**Anything else you would like to add to your background?:** Being originally from South Africa I enjoy rugby union and cricket.

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

When I was at university studying accounting, a professor of mine W A Joubert introduced me to fundamental analysis and the various valuation models. I was so inspired that I started following the markets (Johannesburg Stock Exchange) and ended up buying two stocks with money I received from part time work.

## 2. And then what happened?

I became an auditor and did not really pursue trading at that point in time, as I was too busy getting my career going. Later, I became a management accountant, which means I worked with financial statements on a daily basis. I was helping clients increase profits and decrease expenses, with my clients ranging from small businesses to companies registered on the stock exchange. I also assisted my clients with the buying and selling of their businesses, and I used fundamental analysis and valuation models to do so. During this time, I was still watching the markets as I was still very interested in it, but given time commitments I was doing it with lower frequency. Then one day my passion was rekindled by a program in South Africa called the 'Roffey Review' by Dr. Clive Roffey. I decided- since I have invested a lot of time in fundamental analysis, I want to pursue technical analysis further. Therefore, I ended up attending most of his seminars, and consequently started my journey into the world of technical analysis.

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

After the training sessions from Dr. Roffey, where I learned a lot about indicators and divergences, I took up "Paper Trading coaching" with the Rich Dad Company in the US. I had a weekly online coaching session on a Saturday night. I would do analysis during Saturday mornings and then have this session in the evening. I did this for almost two years. I must mention I have



been supported by an awesome wife! I then decided I wanted to do something a bit more formal and found an educational company called Wealth Within. As they were accredited by the government of Australia and provided a formal Diploma and Advanced Diploma, I decided to just do it! As a family, we came to Australia and I started to study with them. I have finished both the Diploma and Advanced Diploma in Share Trading and Investment, which gave me great building blocks that I use in my trading. Further, as trading is quite an individual journey, I continue to educate myself by reading on the subject. The business world changes every day and if you don't embrace change you will be left behind.

**4. Did you make mistakes when first starting out?**

Yes, I made plenty. I would not call them mistakes though, rather learning opportunities. Coming from an accounting background I would say my biggest challenge was to learn not to be too black and white and second biggest to understand how as humans we can get "trapped" in the market by fear and greed.

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

These days I am a discretionary trader in stock selection, but when it comes to trading I am mechanical.

**6. Who have been some of your mentors and role models?**

I look at this question from a point of view as to what impact these people have had on me personally as well as on my trading style. People that inspired me by being passionate in trading are Professor WA Joubert and Dr. Clive Roffey. From a technical trading perspective, RN Elliot, JW Wilder and WD Gann. I try and pick out the best characteristics of each mentor and follow that.

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

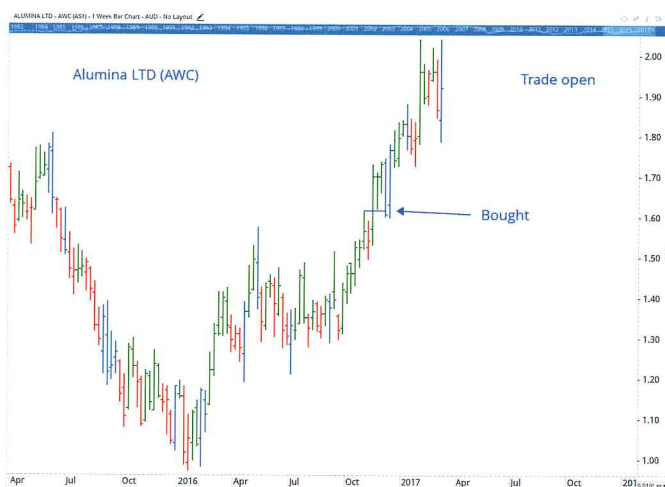
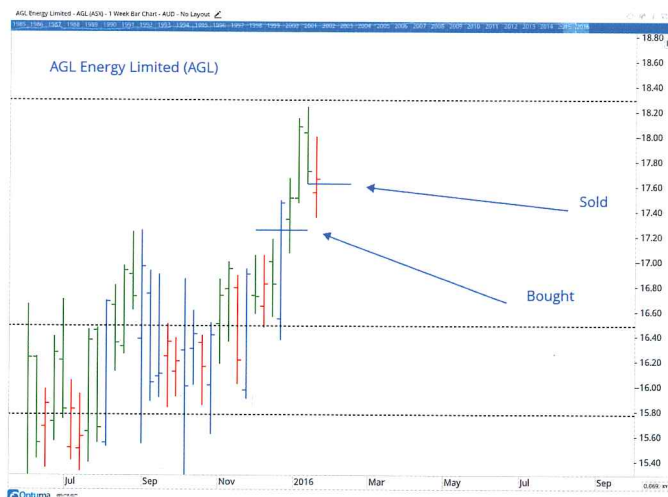
My aim is to keep things simple, to buy low and sell high if trading long, and to sell high and buy low when trading short. Most of my trades have been medium to long term, however, I am currently shifting my focus more towards short term trading for income using CFDs. I use a monthly and weekly chart for medium to long term trading. I trade CFDs using weekly and daily charts and choose opportunities from the ASX200 stocks, silver, gold, and oil. The Wealth Within teachings allow you to be structured and at the same time flexible in your approach. Being structured is my preferred style and I am flexible in terms of the stocks and trades I choose. I am performance driven, so I tend to reassess the trade and my strategy when it is underway.

**8. 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 have done too many to pick one individual trade. They each presented me with a learning opportunity, which sometimes I got the first time and sometimes had to repeat the learning experience to really drive home the issues I had to work on. The day you stop learning is the day you start failing. Having said this, one of the first shares I bought was in a company Daewoo, which if I think back I bought this, on the premise of 'hype'. The company's share price went lower and lower and eventually it delisted. Although I understand it now, at that point in time for some reason or another I was unable to sell out of the company. I was hoping that eventually things would turn around, which it never quite did. That is why today after making sure a company is fundamentally good, I use technical analysis with stop losses to limit my risk as much as I can so that I do not end up in the same scenario again.

**9. Can you tell us about your best and worst trades?**

My best trades are the ones that I did with a combination of fundamental and technical analysis, where I really sat back and made the decision while the markets were closed and then stuck to my trading rules. The worst trades were the ones that I did while the market was open. Looking back, at times I was unstructured, greedy and trading on hope and fear. One of my best trades has been on AWC, which is still open. I followed my rules and entered on a basic Dow Theory entry. Why I consider this as one of my best, is because I planned the trade meticulously and followed my plan and my rules. On the other hand, there was a trade on AGL a while ago. I did my analysis on the stock and it showed good upside potential in the longer term. I entered the stock on Dow Theory, while waiting for a close above resistance to confirm that the stock was going higher. I followed my rules to enter, however, while in the trade I became fearful of the market place in general and just sold out while the market was open. I see this



trade as one of my worst, because I should have known better and I did not stick to my plan. Psychology has a big impact on trading, and if you have not brought everything together- it is a dangerous place. Refer to the charts to see where I entered and exited these trades. The AGL trade I am disappointed about, as had I stuck to my rules, as taught in the Diploma, I would have made an incredible profit.

**10. Would you classify yourself as a short-term or a long-term trader?**

I am a medium to long term trader, but venturing into short term.

**11. What advice would you offer to people getting started as traders on the relative merits or otherwise of each?**

Trading is quite an individual journey. However, from my perspective, medium term is easier to do in the beginning of your journey, as generally it is less volatile and everything happens at a slower rate. Therefore, psychologically it was easier for me to cope with.

**12. What markets do you trade and which markets do you prefer?**

At this stage I mainly trade stocks on the ASX as well as a few indices and CFDs.

**13. Do you have a favourite, and why?**

Not anymore. In the beginning, I had favourites, but if you get too attached to one, it becomes difficult to detach, which again messes up your psychology.

**14. What makes your trading style different from others?**

What sets you apart from other traders? With more than 7 billion people in the world, it is somewhat difficult to be totally different! However, I believe my trading plan and strategy is unique as I use time proven techniques from the masters I have mentioned rather than attempt to follow the next fad. I know this might sound like an anomaly to what I have said before, but I think when it comes to putting aside the time and dedication toward trading, you have to earn the right to be a trader and that means doing the work, being black and white in your analysis, and sticking to your plan. A lot of traders are not disciplined, nor are they well educated. They don't understand how to determine the best strategy for the stock or market they are trading and struggle to stick to their rules, or to know how to improve them if they are not working. This is where I believe I am different.

**15. Do you have a favourite trading rule?**

No, I have a toolbox of more or less 5 rules, which I back test on any given stock that I want to trade. I use the one that gives me the best probability. I think it is always important to have more

than one favourite, since a rule that works on one stock does not necessarily work on the next one. Also, different rules will work in different market conditions.

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

I get to have a business with lots of upside profit potential where I can generally limit my downside risk. Also I decide how much time I want to invest in this business venture. There are not a lot of businesses where you get this kind of flexibility with a relatively low barrier to enter.

**17. How has trading affected your lifestyle?**

My lifestyle has not changed much at the moment. Time, I previously spent on "other things", I have reallocated to invest in this business to make it a success. I believe, you reap what you sow. Whether trading is a full time or part time business, I do believe you must treat it as a business with goals and a business plan, otherwise it will just be a hobby.

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

When you start off, read as much as you can so that you know what is out there and what different strategies are, but later it pays to stick with the methodology that you have found brings you rewards. I would say Technical Analysis of the Financial Markets by John J Murphy is a good read. Also, as stated before the Wealth Within Institute's Diploma and Advanced Diploma courses provided me with good education and techniques to enhance and add to my tool belt.

**19. What does the future hold for you?**

I love trading, business and accounting, so you will definitely find me in that circle. 