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# TRADER'S STORY

Get to know your fellow traders. YTE speaks to trader **Terrie Farrell**

## **H**ow and when did you first become interested in the markets?

My husband John was trading shares and I thought, perhaps I could give it a go as well. I used to ask John to pick the stocks and place the trades for me, as I didn't know how to do so. Eventually I learned how to trade stocks so I started maintaining my own portfolio. (Looking back I realise that I was very lucky picking some stocks that made a profit. It had nothing to do with knowledge.) Many of the stocks lost money as well and since I had no idea about stop losses or how to deal with a stock that was falling, I lost a considerable amount of money.

Then in 2001 through a financial adviser at my local bank I invested a substantial amount of money in a managed fund. I thought it would be a better option as the fund managers were qualified and that my money would be safe. The fund went ok but not as well as I was promised and so I thought about withdrawing my money but my planner convinced me not to.

During the GFC this fund was losing money rapidly, and I contacted my financial advisor once again and enquired about what I should do and was told not to worry because it would ultimately turn out well. Being new to the market I believed what I was told, but I soon learned that things weren't ok. I eventually decided to withdraw the balance of my managed fund as I had lost a substantial amount of money, and what was left after withdrawing from the managed fund was placed in a term deposit until I decided my future investment options.

## **And then what happened?**

At this time I began to think about how I could take control of my finances and ultimately my financial future, but as I had a serious back injury that required surgery, this option was put on the back burner. For a while I was recuperating from surgery after which, I discovered the Sky Business Channel and in turn Dale Gillham and Janine Cox of Wealth Within. Both of them were share market experts on one of their programs. What they said about the share market and trading was simple and clear, and this really resonated with me. Therefore, I decided to investigate my options in share market education.

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

I have always researched on the ASX, read newspapers and magazines, but the information was at times too complex and I just didn't understand it. Watching the Sky Business Channel and finding the team at Wealth Within was the encouragement I needed to apply to study through the Wealth Within Institute to start the Diploma of Share Trading and Investment course in May 2011, as I wanted to learn how to take responsibility and control the management of my own financial goals.

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

YES!!! I read too many magazines and listened to too many friends' "tips" without any knowledge of the particular stock. I also fell in to that all too common trap of holding onto stocks for too long and selling

stocks too early, as I did not have a trading plan for each particular stock. I remember that I used to watch a stock that I own rise to a huge profit, and then watch its price retreat all the way back down again, thus resulting in a loss.

I found for myself the most challenging thing regarding trading is my personal psychology. It is very hard to sell a stock that is falling and you are losing money. That is why it is extremely essential that you have a disciplined system or trading plan to exit a stock. Now I always place a stop loss when I place a trade, and I just follow my plan.

After completing the Diploma I started to trade with confidence and achieved success. I realised that after back testing a stock and trading according to my rules, I have a high probability of success.

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

I am a mechanical trader. I'm the kind of person who requires structure in almost everything I do. In saying that I always develop a trading plan for every stock I trade. This includes entry and exit rules, money management strategies, and in completing my analysis for each stock. I know that on completion I will be confident about having a high probability of a profitable trade. Doing this process each time limits the loss on capital and increases my chance of success. One of the most important rules that I have learnt is to always protect your capital. Before I used to beat myself up if I had a losing trade but now I feel satisfied with my effort knowing that I had stuck to my rules.

## **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?**

Janine Cox at Wealth Within is someone that I have truly been inspired by. I first saw Janine on Sky Business Channel about six years ago and aspired to be like her since then. I now know Janine personally as a friend and as my mentor, which is fantastic. Her constant encouragement and high expectations of my ability as a student and now as a trader have greatly assisted my journey.

My husband John has also had a big influence on my trading journey. He initially introduced me to the share market, and has always provided constant encouragement and support, which has helped build my self-confidence.

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

After a few years of trading I have found that I work well with Dow Theory, Trend Lines, along with price and time analysis. I start by scanning the ASX top 300 and look for charts that look like they are about to reverse and then create a watch list of stocks. From there I study the company's fundamentals and eliminate any stocks that do not meet my criteria. My next step is to use technical analysis to study the stock by completing the process I mentioned earlier, which helps me look for future opportunities to make a profitable trade.

I always follow my trading plan. Moreover my structured and disciplined personality has increased my portfolio's probability and in

turn, my confidence.

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

When I first started to trade I had been given a "hot tip" and I bought into the stock. In the first week the stock traded up 75% and I was ecstatic but the next week it fell 75% at which point I felt devastated. I didn't know what to do as I had done no preparation or planning for an exit strategy. When I did finally decide to sell the stock I found the stock to be liquid. The buy/sell spread was very far part, and therefore I had to sell at a lower price, eventually resulting in a loss of capital.

This was a very expensive lesson. However, it was one I needed to learn in order to convince myself that I really needed to get an education so that I could successfully trade the stock market with confidence. I also learnt not to take tips!

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

My worst trade was BSL. I didn't have a stop loss so I watched the stock go up 60% and then watched it go down 85%. Psychology came into play here, as I kept telling myself that I will stay in the trade just in case it goes back up! Well it didn't and I eventually sold at a loss.

My best trade was Seek. I had completed my analysis, back testing and bought Seek in late 2012. I went into this trade with confidence knowing it would be a win as I had done all the hard work and had a trading plan. Previously at the first sign of an early retracement I would have panicked and exited the stock but instead I followed my rules and exited in May this year. I had a winning trade with a large profit.

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

I would classify myself as a medium-long term trader. I have learnt that to be successful you have to do the hard work and complete your analysis properly. I have found that back testing is the most important part of analysing a stock. Learning its personality and "cracking the code" of that particular stock will give you more confidence. Patience is also a very important part of having a winning trade. Taking your time and planning ahead will put you in good stead for when you enter the market.

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

I have an e-trade account and I trade Shares on the ASX. I have a very good system that I am comfortable with although I am about to enrol in a CFD ((Contracts for a Difference) course to begin shortly, which will be another challenge. Eventually I would like to analyse and apply my knowledge and skills to International shares and the broader market.

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

When I trade I always stick to my trading plan focussing on money management and risk levels always protecting my capital. I don't automatically focus on how much money I am going to make. I believe in: 'cut your losses short and let your profits run'.

I tend to shut the outside noise such as overseas events out of my analysis and base my trading decisions according to my trading plan. I have found that many people sell stocks on every event that happens overseas thinking that it will affect the performance of the stock. I have found that the simplistic approach is the best and less complicated. So just follow your back tested rules and trading plan.

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

My trading rules depend on the market I am analysing. I do tend to use Trend Lines and Dow Theory as I always follow the trend.

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

I have gained financially through my education, hard work and patience and this has increased my self-confidence and pride. When I back test and analyse a stock and then place the trade, win or lose I always give myself a pat on the back for successfully following my rules. Although that said, given my earlier experience it has taken time to develop a positive attitude towards trading. I have learnt trading is 90% psychology and 10% knowledge so it is very important to have a trading plan in place in order to set the rules to follow before taking the trade.

**How has trading affected your lifestyle?**

Trading has definitely enhanced my family and my lifestyle, and it has also allowed for me to achieve things that I never thought were possible. I have grown into a more positive and confident person. Financially, trading has enabled me to provide flexibility and options for the future including my retirement.

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

The first book that I read about the share market was "How to beat the managed funds by 20%" by Dale Gillham. I saw an advertisement on Sky Business Channel and thought it looked very interesting. Actually this book changed my life! The book inspired me to delve deeper into how the stock market worked. I loved the book as it made trading seem achievable by the average person.

I have been to a couple of one night seminars but the presenters were more interested in selling software and not really teaching you how to trade the market properly.

However, becoming a student means you are able to attend workshops that I believe is an essential part of a trading journey. Traders can come together with like-minded people and gain inspiration through success stories. The psychology sessions at such workshops are amazing and have been a big part of my trading journey.

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

My aim is to continue to learn and grow as a trader, and right now am about to start a CFD (Contracts for a Difference) course that will provide additional options for my financial future. I can see that trading will enable me to achieve the many goals that I have set for my family and myself, which will enable me to spend time with and support them as well. <sup>17</sup>