

INDEX

# TRADERSPEAK

VOLUME 1, v1.11

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VOLUME 1 CD ONE

*“GET THE TRADERS MINDSET: LISTEN, LISTEN & LEARN!”*

**1. ADRIAN BURRIDGE 23 MINS**  
**FILE: BURRIDGE1.MP3**  
**PRIVATE FUTURES TRADER: UK**  
**BORN: 1948 YEARS IN THE MARKET: 6**  
**METHOD OF TRADING: TECHNICAL, SYSTEM**

IT WAS OBVIOUS FROM EARLY ON THAT ADRIAN WAS DIFFERENT. WITH HIS INCREDIBLE ABILITY TO OBSERVE AND APPLY MATHEMATICAL LOGIC TO THE MARKET, ADRIAN IS A RARE ANIMAL. HE MAKES UP HIS OWN SYSTEMS. HOWEVER, LIKE MANY CREATIVE PEOPLE, HE HAS HAD TO GRAPPLE WITH DISCIPLINE IN THE MARKET AND HE HAS DEVISED A SERIES OF RULES AND PRACTICES THAT SHOULD BE USEFUL TO ANY TRADER GETTING OFF FIRST BASE IN ORDER TO COPE WITH THE REALITY OF DEALING IN MARKETS.

**2. VALERY ANN MOORE 1H**  
**FILES: VALMOORE1.MP3 & VALMOORE2.MP3**  
**PRIVATE FUTURES TRADER & SPREDBETTER: UK**  
**BORN: EARLY 1950'S YEARS IN THE MARKET: 6**  
**METHOD OF TRADING: TECHNICAL, SYSTEM & DISCRETIONARY**

VAL TRAINED AT THE SAME TIME AS ADRIAN. SHE HAS THE AMAZING AND RARE GIFT OF BEING ABLE TO BLEND A SYSTEM WITH HER OWN DISCRETIONARY APPROACH, MAKING HER A SUCCESSFUL PRIVATE TRADER. SHE HAS PUT HER FINGER RIGHT ON THE MONEY (EXCUSE THE PUN!) WHEN IT COMES TO MEN AND TRADING - AT LEAST SOME MEN. WELL WORTH A LISTEN!

# A family affair

**Adrian Burridge's trading systems brought profits to his friends but not him – until he teamed up with his son. Larry Levy reports on a generation gap with a gold seam**

**A** qualified civil engineer and mathematician, Adrian Burridge spent the best part of the past three decades working on major construction projects, frequently as site manager. His engineering and maths background furnished him with structure and logic skills that would come in handy in his future career developing and executing trading systems.

After attending a course on trading in 1998, Adrian banged his head against a wall for the next 18 months trying to implement what he'd been taught – to little avail. But casting a wider net, he read all the trading books he could get his hands on and gradually began to formulate his own ideas.

He realised his trading systems worked rather well as other trader friends borrowed and prospered using the techniques he had developed. But his problem was that he had difficulty following his own trading signals.

Often he would try to second guess his own systems, refusing to pull the trigger when the moment came to trade, only to sit and watch as the position ran nicely into profit: an experience many traders know to be extremely frustrating. After a number of years of mixed success, Adrian chanced upon an interesting solution.

Adrian's eldest son, 30-year-old Richard, had worked with him on the planning and implementation of underfloor heating contracts and was keen to join his dad in his new venture. They began trading together. Today Adrian, ever the systems designer, sits and develops new systems, while Richard pulls the trigger and executes the trades.

'I have almost exclusively traded DAX futures for the past six years,' says Adrian. 'However, the systems that have worked for me in the past no longer work today, as the market has changed. I tend now to use a break-out system, a form of envelope trading.'

An example of this system might involve

choosing an average, say a 15-bar exponential moving average (EMA) on a five-minute chart. An envelope is created around that average, say 0.18%. A sell signal is generated when the price goes through the

**He realised his trading systems worked rather well as other trader friends borrowed and prospered using the techniques he had developed**

high point of the bottom of the envelope and a buy signal when the price moves through the low point of the top of the envelope. Traders can experiment with these parameters to suit themselves.

'Personally, I combine this system with a trend direction indicator to pick the best trades. Some trades are excluded. Given the current market volatility and this system, one would not attempt to take out more than one-third of the average daily range from any trade. At the moment this amounts to a maximum of 15 points, sometimes less, depending on price action.'

He has a few more rules: 'Operate a tight stop rule at all times. Don't trade between 11:30 and 14:30 or after 17:00 UK time. Do not trade on Friday unless there have been two poor days in the week.'

'This system generally trades two to three



Like father.... Adrian Burridge (left) and son Richard

times per day. Log the results in real time for a few weeks before trading the system.

'If you want to trade on a longer-term basis, here is a very simple system: wait for the seven-period EMA to cross the three-period EMA. When the three-period EMA is on top go long, and if the seven-period EMA is on top go short.'

'You may wish to use the envelope method to time your entries. Check this on your daily charts (or even weekly charts) on almost any instrument. Currently, I use eSignal for my charting and real-time data.'

'Bear in mind that nothing works all the time and the past is not necessarily indicative of the future. This system works for me personally but everyone must pick a system they are comfortable with and what works for one person well may not suit the temperament of another.'

Adrian believes setting aside a fair amount of capital and time is necessary to become a successful trader. 'Anyone entering the world of trading should be warned that this is no different in terms of time to studying to be a doctor or an architect.'

'Three to five years should be set aside for learning. There is also a big financial commitment to take into account as you test your ideas in the market.'

Happily married for more than 30 years to Glynis, Adrian lives in a house he built in the countryside outside Holmfirth, West Yorkshire – 'spring and summer wine country' – where he frequently likes to cook and entertain. ■

EXTRACTS TAKEN FROM THE TRADERSPEAK CD

# DAX the way to do it

**Valery Ann Moore bounced back from a car accident to trade the German market. Larry Levy speaks to her about highs, lows and coming out on top**

**I**t's strange what brings people to trading. For Val Moore it was a car accident that left her recuperating in London's Royal Masonic Hospital and wondering what to do next.

She happened across an article in a Sunday newspaper in early 1998 about a trader who was apparently training people successfully to become traders themselves. Later, having spent several thousand pounds on a course and software, she realised that what she had been taught was little more than theory. 'It was like having a history of a motor car but nobody teaching you how to drive it,' recalls Val. After that she developed her own individual, practical style.

## The trend is your friend

Nowadays, Val trades only one market – the German DAX index – either through an online futures account with GNI, which provides her with one-click access into the exchange computer, or through a spread betting account.

Using for example, a 23-minute chart with a 13 and 7 exponential moving average crossover to obtain her entry points, Val stresses that she will only trade in the direction of the medium-term trend. To determine trend direction on the DAX, she will use a longer moving average (like an 80 period) and not trade against the direction of that average.

As the DAX is often influenced by the direction of the American S&P 500 index – the 'big daddy of indices' – trades will also only be taken in the direction of this US index. Generally, she will look for at least 20 points in a trade, seeking or searching for palpable, previous support and resistance points in order to set her target. 'You'll never buy at the bottom or sell at the top,' says Val, adding, 'It's the chunky bit in the middle that I like.'

'Trading is all about consistency,' she says. 'Mentally you need to feel you come out of 80%

of trades in a win situation. Consistency is far more important than going for big wins, especially since markets like the DAX now trade at lower levels and are less volatile today compared with a few years ago.'

She likens the process of trading to that of a sausage machine. In other words a rather monotonous process in which signals and trades go in consistently and results come out.

Using multiple lots, Val employs a simple technique to lock in profit. For example, she may go long four DAX futures at 3811. She might then close one lot at say 3821 and two at 3823, locking in her profit on three of the four lots and leaving the final contract to run in the event of a big move up.


Should she perceive a trade is going against her she will close all contracts immediately, maintaining a strict 20-point stop loss.

## Spread-betting – way to go

Val has less than fond memories of brokers: 'You could tell from their attitude. They were sort of thinking: "Hah, for goodness sake – go back to your knitting."'

On the other hand, she adds, 'I definitely think spread-betting is the way to go. They (the spread-betting firms) can be very good and supportive and they do have these little training things, especially at the beginning where you can trade for £1 a point.'

She makes no bones about women's potential as traders, where she thinks they have a winning edge. Men too often try to over-complicate things, frequently shrouding their trading in mystery – 'You've got to take



**'Mentally you need to feel you come out of 80% of trades in a win situation. Consistency is far more important than going for big wins'**

trading down to its most elemental and simplistic form.'

## Persistence and pain

Val was born in Wimbledon in 1952. Her parents became publicans, and she grew up in and around The Queen's Arms in the Caledonian Road. She was married in 1971 and has worked for various insurance brokers and a printing company. At 36, she was in a car accident and became partially disabled until corrective surgery.

With her gusty good looks, bushy blonde hair and bright emerald-blue eyes, it's hard to believe Val, who was recently widowed, has enjoyed anything but the good life. But this lifestyle has been won at the altar of hard work, persistence and pain.

These days, she enjoys frequent holidays in Mallorca and occasionally runs a tennis camp there for children from the UK. Until recently, she could be spotted around Guildford in her sporty red Mercedes SLK Convertible but now has her eye on a racing-green Aston Vantage. ■

EXTRACTS TAKEN FROM THE TRADERSPEAK CD.

# Alex Benjamin: trading places

**Keeping on his financial toes has kept this dedicated trader on the move at regular intervals during his career. He tells Larry Levy about the City, working online and the future of capitalism**



Benjamin: son of an 'old-fashioned merchant banker'

**C**apital flows through the veins of Alex Benjamin. Not many of us have traded billions for major banks where profits and losses can regularly run into the tens of millions. With his early training, degree in economics, top-end professional broking experience, multinational upbringing and fluency in French, Benjamin has a rare level of insight into the trading world.

Benjamin was born in London in the early 1950s, the son of an 'old-fashioned merchant banker' involved in financing import-export as the colonial era was drawing to a close. He recalls sitting on his dad's knee at the age of five 'reading the FT with father', and he would often tell people: 'One day I'm going to be a stockbroker.' After attending boarding school at Wellington College, Berkshire (as it was the closest to Heathrow, jokes Alex) he went on to study economics and statistics at the Sorbonne.

## Off the street

One day in 1975 he walked into an Alfred Marks Employment Agency in Cheapside and left with a job trading eurobonds for Grieson, Grant & Co. Benjamin spent the next 29 years dealing for major names in the securities industry. He held senior dealing positions at firms such as Cantor Fitzgerald, Banque Nationale de Paris (BNP), PrivatBanken of Denmark, Chemical Bank (Frankfurt office), Cargill (the world's largest privately held commodities firm) and more recently as a senior dealer at Tradition, Europe's largest brokerage and the owners of spread-betting company TradIndex.

During our first interview last year, he was constantly being interrupted by other traders calling him for strategy directives. 'Push the

market to this, wait for resistance at 38%, then take it out,' he barked flawlessly and without any hesitation. After all, here is a man who has served at the sharp edge of dealing and trading for most of his life. Benjamin even tried his hand as a floor trader in Chicago in 1991 but admits he preferred to be upstairs 'barking out orders'.

## From Square Mile to home screen

He has since left the City. Now he is online and available 20 hours a day, trading FX and Index futures as well as advising and mentoring other traders via his website, tradingclinic.com.

**'Something that takes place in three seconds today took several months in the 1960s. Then it was all about buying low and selling high.'**

Benjamin reflects on how the market has changed: 'Something that takes place in three seconds today took several months in the 1960s. Then it was all about buying low and selling high. By the 1980s it had become a market based on breakouts and momentum and in the 1990s buying and holding was the theme. Now it's all about momentum and investment trading, as well as commodities. People don't really care what it is they are trading. They are just looking at volatility,

with institutions moving vast capital around.'

He is a firm follower of many of the beliefs of market analyst, thinker and trader Pete Steidlmayer, famous for his market profile style of charting. Benjamin argues that these days 'value changes as volume moves in' and capital is simply looking for the next vehicle.

Benjamin has two daughters, Lucia and Tara, having been married twice. He laments: 'Unfortunately, the financial world destroys relationships. You have to work such long hours and with such intensity that you don't have time for anything else. You are the most extraordinarily selfish person.'

He currently lives in the Kent market town of Tonbridge but he sees a possible future in the US one day. Activity-wise, he skis, with Chamonix his favourite resort.

As a man who spent many years in the City, Benjamin takes a dim view of the pension fund industry, describing its performance as scandalous. 'I would fire every single fund manager out there because their performance has been practically fraudulent. Here the herd moves together because of the overbearing rules and regulations. People should have made around 500% in the 1990s.'

These days, he says, there is 'a massive breed of new entrepreneurs who are using their wits against the big investment boys... some of these individuals are practically institutions.

'There is an infinite supply of these kind of people. Why shouldn't the whole world eventually become virtual traders?' But then he reflects: 'With everyone trading, eventually capitalism will collapse under its own weight. There is no question about that.' So maybe not such a good idea at that. ■

EXTRACTS TAKEN FROM INTERVIEW ON THE TRADERSPEAK.COM 2 CD SET

**3. ALEX BENJAMIN 1 ½ HR**  
**FILES: ALEX1.MP3 & ALEX2.MP3**  
**BORN: 1954 YEARS IN THE MARKET: 28**  
**PRIVATE/FLOOR/INSTITUTIONAL & BANK TRADER: BROKER:**  
**ALEX BENJAMIN: UK, FRANCE**  
**METHOD OF TRADING: VARIOUS**

ALEX'S AMBITION TO BE A STOCKBROKER BEGAN AT THE TENDER AGE OF FIVE. IN THE MARKETS SINCE THE MID '70'S, IT IS CLEAR THAT THIS MAN HAS A GREAT LEVEL OF EXPERIENCE, ABILITY AND APTITUDE UNDER HIS BELT. ALEX WORKS IN ONE OF EUROPE'S LARGEST BROKERAGES AND IS A KEY DEALER. AS THE INTERVIEW PROGRESSES YOU WILL EXPERIENCE THE CONSUMMATE PROFESSIONAL AT WORK WHILE HE BREAKS OFF THE CONVERSATION TO ISSUE ORDERS AND STRATEGIES ON MARKETS TO OTHER TRADERS WHO ARE EXECUTING THEM ON HIS BEHALF - AND IN MORE THAN ONE LANGUAGE. LISTENING TO ALEX JUGGLE THIS WHILE CONDUCTING A FASCINATING INTERVIEW ON DIFFERENT ASPECTS OF TRADING MAKES ONE APPRECIATE THE LEVEL OF SKILL THAT HE BRINGS TO THE TABLE.



# Old world order

**As a former floor-trading specialist, Chris Antonio has learned some valuable lessons about the markets. Larry Levy taps his knowledge**

**T**he halls of the old Pacific Coast Stock Exchange building in downtown San Francisco stand silent now, a testimony to a time that has given way to computers and brought to an end the era of a man standing at his trading post, making prices, writing out trades on a ticket and inserting that ticket into an analogue time stamp machine.

Describing himself as 'nerdy,' Chris Antonio is a classic Californian. Softly spoken, he first became interested in markets while at the University of California, Davis, while majoring in biology. On weekends, he would often go up to Tahoe to gamble and became a proficient 'card counter' at the blackjack tables. A professor at Davis encouraged the young Antonio to look for and exploit inefficiencies in markets in order to gain an edge. 'I was more turned on to that than the biology,' he admits.

Two years later, in 1985, Antonio landed a position-keeping job for a mom and pop firm on the San Francisco floor. Then he became an assistant floor specialist, working for Merrill Lynch, the world's largest stockbroker, handling trades on Compaq Computer stock.

## Panic and denial

On Black Monday, during the 1987 crash, he kept the book neutral for the firm as other traders became stubborn and took on long positions. He remembers the sense of sheer panic and denial and how, on the Tuesday morning, the world's greatest stock market ground to a virtual stop as 'some issues were simply halted'. Finally, he says, 'a bid appeared in the futures and the market slowly started to drift up,' restarting the engine of the capitalist world.

Next, Antonio became a specialist for another large broker, Paine Webber, and in 1992 he 'went upstairs' to make markets on the newly formed, all-electronic Cincinnati Stock Exchange.

Finally, in 1995 Chris became independent and started his own broker dealer and has been managing his and clients' money successfully, never having had a down year. These days, he shares a small office with a team of former floor traders near his home in



Sausalito, a scenic coastal town near the Golden Gate Bridge north of San Francisco.

What Antonio gleaned on the floor regarding how markets work in reality would prove invaluable in his future career as a screen-based private trader.

**Not really one for back-testing, Antonio likes to try his ideas out on a live market. He loves volatility – thriving on panic in the markets.**

As a specialist, occupying a unique position in being able to view the limit orders above and stop orders below the price their stock is trading at, Antonio gained 'an intimate knowledge of the supply-demand equation'. What he does refute is the theory that such specialists are all powerful and set the tone for the market, implying that the institutions and those off the floor with big money often have greater impact than the market maker or specialist.

## Price control

However, in sensing the order flow, the specialist and market maker will often take short-term positions and can exact a 'fair amount of control' in moving the price.

'As an example, a stock that is trading, say, at \$48 may have a large block sell limit order at \$50,' explains Antonio. 'The specialist



The old Pacific Coast Stock Exchange building where Chris Antonio (left) cut his trading teeth

knows that should buyers enter the stock, he can begin shorting with relative impunity near his \$50 limit book. His belief is that should buying interest subside, he will be able to cover his short at more favourable prices; if buying continues, he can purchase the stock in his book for a small loss.

'This knowledge of the short-term buying and selling interest in the stocks in which he specializes presents the specialist with excellent risk-reward opportunities.'

These days, Chris still watches the ticker and the block trades in certain stocks. He maintains daily charts of over 300 liquid stocks and when they pass certain scanning criteria, he takes a closer look.

## Philosophy

Not really one for back-testing, Antonio likes to try his ideas out on a live market. He loves volatility – thriving on panic in the markets. For Antonio – and many traders – the most dangerous period in a market is when it's not doing anything. Though he might use the 'odd momentum indicator', he generally steers clear of normal technical indicators, preferring to concentrate on price action, volume and order flow to tell him where a market is headed.

Some of Antonio's keys to trading success include 'playing good defence', an overall sense of humility, a low tolerance for loss and constantly adapting his trading to changing market conditions.

## Lifestyle

Now 45, Chris has two sons and a dog called Toby. He drives a Toyota 4x4 pickup and marvels at the fact that the market has afforded him a healthy, happy and comfortable lifestyle. He enjoys skiing, wakeboarding, rowing and spending time with his two boys – as well as testing his next theory on a live market. ■

EXTRACTS TAKEN FROM THE TRADERSPEAK CD

**4. CHRIS ANTONIO 2 ¼ HR**  
**FILES: ANTONIO1.MP3, ANTONIO2.MP3 & ANTONIO3.MP3**  
**FLOOR TRADER, PRIVATE TRADER, BROKER: USA**  
**BORN 1959 YEARS IN THE MARKET: 19**  
**METHOD OF TRADING: TECHNICAL**  
**MAIN INSTRUMENTS: EQUITIES, OPTIONS, FUTURES**

AT COLLEGE, CHRIS BECAME INTERESTED IN THE MARKETS AND STARTED ON THE PACIFIC STOCK EXCHANGE SAN FRANCISCO FLOOR. CHRIS ALWAYS "LOOKS FOR INEFFICIENCIES". IN HIS SEVEN YEARS ON THE PSE FLOOR CHRIS WENT FROM ORDER ENTRY CLERK TO MARKET MAKER, AND HE DESCRIBES THE MECHANICS OF ORDER PROCESSING AND HOW ORDERS WERE HANDLED AND ROUTED ON THIS FLOOR, WHERE VOICES ONCE RANG OUT IN OPEN OUTCRY. THE PACIFIC STOCK EXCHANGE HAS SINCE CLOSED ITS DOORS. CHRIS DESCRIBES THE PSE FLOOR DURING THE 1987 CRASH, AND HOW HE AND OTHERS REACTED. HOW "QUIETE" THE FLOOR BECAME AND HOW BY TUESDAY MORNING THE STOCK EXCHANGES IN THE WORLDS LARGEST ECONOMY HAD EFFECTIVELY CRASHED TO A HALT AND HOW, AT LAST, "BIDS" BEGAN TO APPEAR AGAIN ON THE TAPE AS THE MARKETS WERE JUMP-STARTED BACK INTO ACTION.

LEARN HOW THE MECHANICS OF MARKET MAKING WORKED ON THE PSE. HE DESCRIBED HOW THE MARKET WORKED THEN AND HOW IT WORKS NOW. IN 1996, CHRIS SET UP HIS OWN BROKER DEALER, EVEN THOUGH HE MAINLY TRADES FOR HIMSELF. HE DESCRIBES HOW HE COMBINES TECHNIQUES WITH THE USE OF INTUITION TO DECIDE WHICH TECHNICAL TOOLS TO USE. HE RELATES SOME OF THE TRICKS AND TECHNIQUES USED.

CHRIS DESCRIBES HOW HE TAILORS HIS TRADING AND OPTIONS STRATEGIES TO DIFFERENT MARKET CONDITIONS. CHRIS IS A "BUDDY TRADER". HE TRADES WITH A SMALL GROUP OF ASSOCIATE TRADERS AND PREFERS THIS TO SITTING ALONE AND TRADING.

"EVERYTHING IS ALWAYS EVOLVING AND IS DOZING TOWARD GREATER AND GREATER EFFICIENCY. SO A LOT OF THE INEFFICIENCIES AND WAYS WE PLAYED IN THE MARKET YEARS AGO SIMPLY DON'T EXIST ANYMORE"

"I RELY (NOW) MOSTLY ON CHART FORMATIONS AND JUST PRICE AND VOLUME PRIMARILY WITH AN OSCILLATOR HERE OR THERE  
... "

"OVER TIME THE TOOLS BECOME DULL AND THEY STOP WORKING VERY WELL ... EVEN BACK IN MY FLOOR DAYS I COULD SEE A LOT OF THE OLD TIMERS BECOMING GRUMPIER AND GRUMPIER BECAUSE THEIR OLD EDGES WERE DISAPPEARING."

EXTRACT FROM THE INTERNET:

IT'S THE FINAL BELL FOR THE PACIFIC EXCHANGE

PACIFIC STOCK EXCHANGE-LOS ANGELES

05/25/01- THE ONCE-BUSTLING TRADING FLOOR, WHICH BEGAN AS THE LOS ANGELES OIL EXCHANGE, OFFICIALLY CLOSED ITS BEAUDRY AVENUE LOCATION WEST OF DOWNTOWN AT 1:30 P.M.

A GROUP OF PEOPLE COUNTED DOWN AS THE FINAL MOMENTS CAME.

"THE SENTIMENTAL SIDE OF ME IS VERY SORRY TO SEE THE FLOOR GO AWAY," DALE CARLSON, A SPOKESPERSON WHO HAS BEEN AT THE EXCHANGE FOR 14 YEARS, TOLD A LOCAL NEWSPAPER.

"BUT THERE'S LITTLE VALUE IN SENTIMENT IN THIS INDUSTRY IN THIS AGE. MOST, IF NOT ALL, STOCK-TRADING FLOORS ARE GOING TO DISAPPEAR."

IN THE EARLY 20TH CENTURY, THERE WERE MORE THAN TWO DOZEN U.S. STOCK EXCHANGES. TODAY -- IN AN ERA WHEN TRADING IN CYBERSPACE IS MAKING BRICKS-AND- MORTAR STOCK EXCHANGES LESS AND LESS RELEVANT -- THERE ARE SEVEN.



**5. MELISSA ARDEN 49 MINS**  
**FILES: ARDEN1.MP3**  
**FLOOR /INSTITUTIONAL TRADER, BROKER, EXCHANGE REP:**  
**AUSTRALIA**  
**BORN: 1964 YEARS IN THE MARKET: 19**  
**METHOD OF TRADING: TECHNICAL**  
**MAIN INSTRUMENTS: FUTURES, STOCKS, OPTIONS**

MELISSA WAS BORN IN CHESHIRE IN NORTHERN ENGLAND BUT MOVED TO AUSTRALIA AT A YOUNG AGE. AT 20 YEARS OLD SHE STARTED WORK IN SYDNEY FOR BAIN AND COMPANY, A PROMINENT AUSTRALIAN STOCKBROKER. AFTER JOINING THE OPTIONS TEAM AT JARDINE FLEMING AND STARTING TO TRADE SUCCESSFULLY FOR HER OWN PERSONAL ACCOUNT, SHE BECAME AN OPTIONS MARKET MAKER ON THE OPTIONS FLOOR OF THE AUSTRALIAN STOCK EXCHANGE. MELISSA SPEAKS CLEARLY AND WISELY ABOUT THE PSYCHOLOGY AND APPROACH NECESSARY TO BE SUCCESSFUL IN TRADING, AND HOW TO DETER SUCCESS FROM GOING TO THE HEAD. SHE ALSO SPEAKS ABOUT THE TRANSFORMATION TO ELECTRONIC MARKETS IN AUSTRALIA, AS WELL AS OPTIONS STRATEGIES AND THE WORKINGS OF AN OPTIONS MARKET MAKER, INCLUDING HER "GET ON WITH IT" APPROACH TO LIFE IN GENERAL AND THE CHALLENGE OF DEALING IN A MALE DOMINATED ENVIRONMENT.

ON THE OPTIONS FLOOR SHE WAS ONE OF THREE "GIRLS" AMONGST 150 MEN. SHE BELIEVES BEING A WOMAN IN THE MALE DEALING ENVIRONMENT IS AN ADVANTAGE. MELISSA'S PRO POSITIVE APPROACH TO LIFE SERVES AS AN INSPIRATION TO US ALL. MANY PEARLS OF WISDOM ARE REVEALED THROUGHOUT THE LENGTH OF THIS FASCINATING 48-MINUTE INTERVIEW. AFTER DOING OPTIONS, SHE WORKED ON THE SYDNEY FUTURES EXCHANGE FOR UBS. AND NOW SHE ACTUALLY WORKS FOR THE AUSSIE STOCK EXCHANGE ITSELF. INTERESTING AND INFORMATIVE LISTENING.

# Battle of Britain

**Mike Battle, the crocodile trader, earned his nickname from his highly successful business approach. Larry Levy talks to him about hunting in the financial jungle**

**B**attle commences at 7am, an hour before the European markets open. 'I check off and write down the technical particulars of each thing I'm interested in,' he says. Dubbed by a long-standing City buff as 'Britain's Best Trader', Battle left school at the age of 17 to join stockbrokers W. Greenwell & Company. He was promoted to the title of floor dealer about a year before the London Stock Exchange closed its floor in October 1986. He recalls the newly computerised post-Big Bang market as being 'like the Wild West'. 'There were more job positions than people qualified to take them at that point. One minute you were a floor dealer and the next day they just said "you're now a (screen-based) market maker in these 10 stocks - away you go... sink or swim".'

Soon Battle was managing a deal book worth millions and his salary was up twelve-fold in just under a year. All this on one of the world's great exchanges atop the crest of a wave of a resurgent bull market. Britain and Thatcherite capitalism had created an atmosphere that may never be repeated.

Battle moved on to the Security Pacific Bank where he managed markets in three stock sectors. Aged 22, he was promoted to assistant director at the bank. But despite his success, his heart was in personal trading.

Starting in 1988, Battle began trading futures, at first from a brokerage and a clearing house before deciding it would be easier to work from home. Though he has never had a losing year, in the early years he struggled to establish his roadmap to success.

Fast forward to 2004 and BattleMike (as he



has been called) is a very successful private futures trader who also runs a futures fund. He looks to return between 200% and 400% a year speculating for his own account. For his futures fund, he takes a rather more conservative approach.

## Strategy

Battle's trading strategy is based on consistently exploiting the probability biases he identifies through his comprehensive, highly technical approach. 'The emotional trader within all of us is trying to do the wrong thing nearly all the time. You've got to trust the probability bias,' he says. He uses various moving averages, day ranges, momentum and market profile.

He stresses the importance of trading the 'sample size' and ignoring the emotional effect of individual profits and losses.

'A trader works in a similar way to a craftsman,' explains

Battle. 'He needs his tool bag to first organise the raw material (market information) into a format he can work with. The trader then uses this database as a representation of the whole, ignoring other potentially valid information while working with this data to locate probability biases. That's all he can do. He doesn't seek to solve the market as such.'

Currently he trades mainly the DAX but also takes positions in the EuroStox, Dow, S&P, NASDAQ and FTSE futures. However, he yearns to encompass a more dynamic trading focus and to incorporate more markets, 'going where the action is'.

## Crocodile trading

Mike urges traders to 'approach the market psychopathically, stalking the trade', to wait and to keep waiting as long as it takes for a good trade set-up to come along. Like a crocodile waiting in a water pool for a deer, but not just any deer: the croc waits for 'a baby deer with a bad leg before he makes his move... metaphorically trading is the same'.

Battle emphasises the following points:

- 'Most of the time I find that trying to listen to other people's opinions is more confusing than helpful, however credible the source.'
- Cut losing trades.
- If things start going consistently wrong 'past the sample size', a) steadily reduce trading size and b) break the system into its component parts determining exactly where techniques are going wrong, or where the strategy is flawed.
- Be clear why you are going into trading. It should be only to trade effectively - not for excitement.
- Work out the type of risk profile you want to adopt and keep to it.
- Don't be too hard on yourself. But do be realistic. Are you able to actually do this job? Do you have the right personality?
- Take full responsibility for everything.

Bromley-based Battle only trades the European time zone because, as he puts it, 'you've got to have a life... it's part of the balance of trading to do other things as well'.

Happily married to Alison, they have four boys between six and 11. He drives a Seat Alhambra 'people's wagon', as well as a Golf GTI; enjoys the odd pint, works out regularly and runs Keston Boys' Football Club under-nines soccer team. ■

EXTRACTS TAKEN FROM TRADERSPEAK CD

'Approach the market psychopathically, stalking the trade'

**6. MIKE BATTLE 1 ¾ HR**  
**FILES: BATTLE1.MP3, BATTLE2.MP3, BATTLE3.MP3**  
**FLOOR/ UPSTAIRS BROKER, PRIVATE /PRO /FLOOR TRADER**  
**UK**  
**BORN: 1965 YEARS IN THE MARKET: 22**  
**METHOD OF TRADING: TECHNICAL**  
**MAIN INSTRUMENTS: FUTURES, STOCKS, OPTIONS**

**MIKE BATTLE WAS DUBBED BY A FELLOW IN THE MARKET AS "BRITAINS BEST TRADER".**

HE MADE A CALCULATED DECISION TO GET INTO THE CITY AND DECIDED NOT TO RETURN TO SCHOOL TO TAKE HIS "A" LEVELS. AS A RESULT HE WITNESSED THE END OF THE LONDON STOCK EXCHANGE FLOOR AND, AT A YOUNG AGE, WAS THRUST IN AS A MARKET MAKER WITH A BOOK WORTH MILLIONS. PROMOTION CAME QUICKLY FOR MIKE AS LONDON MOVED FROM FLOOR TO ELECTRONIC MARKET IN ONE OF THE BIGGEST MARKET CHANGEOVERS IN HISTORY. MIKE TELLS THE STORY OF HIS CAREER IN THE CITY AS ONLY A TRUE- BLOOD LIKE MIKE BATTLE CAN.

THE SECOND HALF OF THE INTERVIEW DEALS WITH PRACTICAL TRADING ADVICE AS WELL AS CLEAR INSIGHTS INTO THE TECHNIQUES THAT PUT MIKE INTO THE 'SUPERTRADER' LEAGUE INCLUDING DETAILS OF HIS MULTILAYERED MONEY MANAGEMENT STRATEGY.

HEARING BATTLE SPEAK ABOUT TRADING IS TRULY TO HEAR THE MIND OF THE CONSUMMATE, DRIVEN PROFESSIONAL AT WORK. LOW EGO. ON THE JOB. NO MESSING ABOUT. BATTLE DOES BATTLE IN THE MARKET. TAKE NO PRISONERS. WELL DONE MIKE.

**7. GEORGE WHITE (NAME CHANGED) 14 MINS**  
**FILES: WHITE1.MP3**  
**PRIVATE TRADER: UK**  
**BORN: 1947 YEARS IN THE MARKET: 5**  
**METHOD OF TRADING: TECHNICAL**  
**MAIN INSTRUMENTS: FUTURES**

WHITE HAS KEPT "VERY MUCH TO SIMPLICITY". HE TRADES A HANDFUL OF STOCK INDEX FUTURES AND GIVES A SOBERING VIEW OF THE INDUSTRY AND OF TRADING. GEORGE DESCRIBES HOW "PEOPLE ARE GIVEN THE WRONG IMPRESSION OR THE WRONG INFORMATION RIGHT FROM THE VERY VERY START".

GEORGE HAS CLEARLY SPENT SOME TIME AT THE SCHOOL OF HARD KNOCKS AND HAS A CAUTIOUS, IF NOT A PESSIMISTIC, VIEW OF TRADING - WHICH IS NOT UNCOMMON IN OUR TIME GIVEN THE AMOUNT OF MEDIOCRE, OR WORSE, ADVICE, TRAINING AND SOFTWARE DOING THE ROUNDS AT RIDICULOUS PRICING.

**8. PETER STEIDLMAYER 1H 8MINS**  
**FILES: STEIDLMAYER1.MP3**  
**FLOOR TRADER: USA**  
**BORN: 1930'S YEARS IN THE MARKET: 40+**  
**METHOD OF TRADING: TECHNICAL**  
**- SOMETHING & SOMEWHERE NEW**  
**MAIN INSTRUMENTS: COMMODITY FUTURES**  
**"OPPORTUNITY IS EVOLVING TO A DIFFERENT MODEL"**

WITH OVER FORTY YEARS OF FLOOR TRADING BEHIND HIM AND, WITHOUT DOUBT, ONE OF THE GREAT INFLUENCES ON THE WAY WE THINK ABOUT MARKETS TODAY, PETER STEIDLMAYER SCOPES OUT THE STATE HE THINKS MARKETS ARE EVOLVING TOWARDS AND HOW TO TRADE THIS.

# The quiet American

**Gerry Celaya is an American with a taste for the Scottish Highlands who remains down-to-earth, despite a successful trading career. Larry Levy finds out more**

**I**n the world of technical analysis, Gerald Celaya is the quiet American carrying the big stick. An impressive speaker, Gerry is the man that the likes of American Express Bank or Bank of America send out to visit their better clients and convey the right corporate image of expert and intelligent analysis.

This comes packaged with Celaya's relaxed and disarmingly down-to-earth charm. A regular on television, he currently works at his own global 24-hour research 'boutique', called Redtower Research, from a farmhouse in Scotland.

Celaya was born to a Mexican mother and a father of Basque descent in San Diego, California in late 1964. He remembers a happy childhood travelling around Africa, Latin America and the Middle East while his father was busy working on various construction projects. At high school he asserts the two most useful courses he took were economics and typing.

It only really occurred to him that he was an American when he went to the University of California, San Diego, where he majored in computer science but also took a course in economics. The economics would ultimately prove more useful for Gerry, as he recalls 'I couldn't program my way out of a paper bag!'

## Major breakthrough

A friend's father was heavily into trading commodities and the young Celaya was fascinated by this world of charts and money. He tried without success to land a job as an economist and so, undeterred, went back to university and majored in economics at California State in San Francisco.

His big break came in the form of a job offer from Money Market Services (MMS) in 1986. MMS (now part of Informa) was a California



start-up that had grown from a garage near Redwood City in 1977 to set the world standard on analytical advice to dealers. The firm's frequent technical and economic reports on dealer systems such as Telerate, Reuters and Bloomberg (before the advent of the internet) gave much-needed intraday technical input for dealers on bonds, currencies and other markets.

## London calling

In 1989 Celaya was posted to London to help start MMS's European bond research product. Not long afterward, he was promoted to the position of head of technical analysis in Europe, working from early morning at the MMS office at 135 Piccadilly. He recalls, 'Every year a mass of cannons would be let off across the park to celebrate the Queen Mother's birthday and that was an eye opener'.

After almost nine years at MMS and entering his thirties, Celaya moved on to the Bank of America. Now he was not just proffering advice, he was also trading in one of the nerve centres of one of the world's major banks, with billions at its disposal. Moving between the different trading groups, Gerry was able to positively influence strategic trading at the bank. The research team's goal was to have the research for the day written, photocopied and sitting on 400-plus desks before 7am so Celaya's team could get on with trading their own book.

After two years, Gerry accepted a job offer from American Express Bank. This was a radically different experience as the personal

touch really counted with private clients compared with the more corporate atmosphere at BofA.

But after 20 years of waking up at 5am, often combined with nights out with colleagues and clients in big cities around the world, Gerry felt it was time for a change. He bought a farm in Scotland, which he adores, and joined a bespoke research outfit, Redtower Research, catering to banks and brokers. Gerry admits, 'I never thought I would be lucky enough to be able to do this'.

## Model user

For his own share trading, Celaya favours the TeleChart system, which can scan more than 6,000 US stocks and rank them on the users' own models. He maintains accounts with most of the spreadbetting companies as well as a number of equity brokers.

Currently he favours **Wilson (WLSN:NASDAQ)**, **Water Pik Technologies (PIK:NYSE)** and **Pep Boys Manny Moe & Jack (PB:NYSE)**. On a three to six-month outlook, he is bullish on coffee and the US dollar but bearish on the FTSE, DAX and S&P/Dow. He is looking for crude oil to consolidate to slightly lower levels.

These days, thanks in large part to the internet, Celaya can enjoy the spectacular scenery of the Cairngorms, tend to his sheep (yes, he has a flock), and go hiking for a few hours in between filing his currency and bond reports - something you can't very easily do in the City of London.

EXTRACTS TAKEN FROM THE TRADERSPEAK.COM CD SET



**9. TONY STEIN (NAME CHANGED) 46 MINS**

**FILES: UX1.MP3**

**PRIVATE TRADER: UK**

**BORN: 1952**

**YEARS IN THE MARKET: 18**

**METHOD OF TRADING: TECHNICAL**

**MAIN INSTRUMENTS: FUTURES, SPREADBETTING ON  
EQUITIES**

ALTHOUGH HE GETS OFF TO A SLOW START, TONY SOON WARMS UP TO DESCRIBE HOW HE TRADES EQUITIES USING SPREADBETTING AND WHAT HE CALLS THE CLASSIC "CUT AND HANDLE" PATTERN.

**10. GERALD CELAYA 1 H 51MINS**

**FILE: CELAYA1.MP3 (1H 15M) & CELAYA 2.MP3 (35 MINS)**

**PROFESSIONAL ANALYST, INSTITUTIONAL/PRIVATE TRADER:  
USA. UK**

**BORN: 1964**

**YEARS IN THE MARKET: 18**

**METHOD OF TRADING: TECHNICAL**

**MAIN INSTRUMENTS: BONDS, FOREX, FUTURES AND  
STOCKS**

WHAT'S IT LIKE TO HAVE THOUSANDS OF TECHNICAL TRADERS IN BANKS HANG ON YOUR WORDS EVERY DAY? ASK GERRY! THEN, AFTER YEARS OF BEING ON THE LINE, YOU ARE ASSIGNED REAL MILLIONS AND A PROPRIETARY TRADING GROUP OF YOUR OWN BY A MAJOR AMERICAN BANK. IN OTHER WORDS: "DO IT YOURSELF NOW! "

LASTLY, ENDING UP WITH YOUR OWN RESEARCH HOUSE, WRITING FOR MAJOR BANKS AND BROKERS AND JUST PLAIN OL' TRADING FOR YOUR OWN ACCOUNT. GERRY'S SEEN IT ALL, BEEN THERE AND DONE A GOOD DEAL OF IT - FROM SENIOR ANALYST AT MMS (MONEY MARKET SERVICES) TO AMERICAN EXPRESS BANK, AND CHASE, AS WELL AS MEETING CLIENTS IN COUNTLESS BANKS ON DIFFERENT CONTINENTS. CELAYA IS EVERY BIT THE WELL ROUNDED PROFESSIONAL WHILE RETAINING HIS EFFERVESCENT MODESTY AND SENSE OF HUMOR.

**CELAYA2.MP3 (AVAILABLE ON VERSION 1.11 AND LATER)  
REFERS TO THE BASICS OF FOREX. IT WAS MADE SOME  
MONTHS AFTER THE INITIAL INTERVIEW.**

**11. CLAIRE HOLDEN (NAME CHANGED) 22 MINS**

**FILES: CLAIRE1.MP3**

**PRIVATE TRADER: UK**

**BORN: 1965**

**YEARS IN THE MARKET: 5**

**METHOD OF TRADING: TECHNICAL**

**MAIN INSTRUMENTS: FUTURES**

HAVING LOST EXISTING CAREERS THROUGH BACK INJURY, CLAIRE AND HER FRIEND JOINTLY DECIDED TO TAKE UP TRADING. THEY TRADE TOGETHER INTRADAY, MAINLY ON THE DAX BUT ALSO ON THE S&P FUTURES, VIA ELECTRONIC PLATFORMS LIKE PATS, SPREADBETTING COMPANIES AND VIA THE TELEPHONE.

CLAIRE DESCRIBES HOW THEY WENT FROM "THE ADRENALIN RUSH" AND "FEAR FACTOR" OF EARLY TRADING TO THE DEVELOPMENT OF SOMETHING BETTER.

**12.**

**ERLAND GOAR 34 MINS**

**FILES: ERLAND1.MP3**

**PRIVATE TRADER: UK**

**BORN: 1964 YEARS IN THE MARKET: 5**

**MTHOD OF TRADING: TECHNICAL**

**MAIN INSTRUMENTS: FUTURES**

ERLAND GOAR, FROM EDINBURGH, WORKED FOR MANY YEARS IN THE BACK OFFICES OF FUNDS AND INVESTMENT HOUSES IN EDINBURGH, SCOTLAND. AFTER ATTENDING A TECHNICAL ANALYSIS COURSE IN LONDON, HE BEGAN HIS OWN TRADING CAREER, WHICH TOOK HIM FROM WANNABEE TRADER TO FULL TIME DAY TRADER AND FINALLY TO PART TIME END OF DAY TRADER.

HE DESCRIBES HOW THIS WORKS IN HIS FAVOR IN SPREADBETTING WITH DEAL4FREE WHICH IS HIS FAVORED WAY OF TRADING.

GOAR CUT HIS TEETH TRADING AT HOME FROM AUGUST 2001 ONWARDS, WHICH TOOK HIM THROUGH COPING WITH THE AFTERMATH OF SEPTEMBER 11TH 2001 IN THE FINANCIAL MARKETS. HE DESCRIBES HOW HE ADAPTED HIS TRADING FROM JUST "GOING IN" TO WAITING FOR "SETUPS" - IN OTHER WORDS

# Codd's gift

**He still enjoys a game of football and a night out with the lads, but Mark Codd has an instinct for trading. Larry Levy caught up with him to reflect on his career so far and find out what makes him tick**

**M**ark Codd is a bit of a lad. Born in Hammersmith and raised in Beaconsfield, on weekends he can be found supporting his favourite football team, Queens Park Rangers, or out on the town with his mates. After leaving school at 16, he did Business Studies at Amersham & Wycombe College before joining the LIFFE floor in time to experience its last five years before the futures exchange went electronic.

Starting as a runner for an 'arb' trader in the Bund pit, Codd went on to help arbitrage the small differentials between the price of the German Bund as traded on LIFFE, its original home as a futures contract, and the nascent Deutsche Terminbörse in Frankfurt, now known as EUREX. Then, in 1997, the German banks decided they would no longer trade Bunds on LIFFE, preferring instead the all-electronic DTB.

Within weeks the Bund contract on LIFFE had become extinct and the German/Swiss exchange would in time replace LIFFE as Europe's dominant financial futures exchange. A far cry from the statement of the chairman of the DTB in its first week of existence that it was no threat to LIFFE. It was as a result of this loss of business that LIFFE itself became an all-electronic exchange in 1999.

## Fight club

Codd remembers the Cannon Street floor as a fascinating place, with as many as 3,000 people jostling together every day to trade everything from Italian bonds to the FTSE. 'It was like a giant nightclub, to be honest, a male-dominated world. There used to be fights in the pit. Those who did best were people with good minds who could trade instinctively and without thinking.

'East End barrow boys would often do better than the public school types. If you could see some orders coming in, that

was your edge. The girls, though vastly outnumbered, gave as good as they got. Sometimes they were a lot better than the men as they would sit on their positions.'

After the floor closed, Codd went on to work for

MacFutures, managing one of the largest 'arcades' in the world. This term refers to trading rooms, often with hundreds of traders side by side – each with a plethora of electronic analysis, news and trading tools – dealing away on the futures markets. He says he likes the new electronic markets as you stand or fall by your skill. Down on the old floor it had been possible to score by being in with the right clique.

## Unlucky for some

His 'unluckiest' trade, as he puts it, was while trading for his own account on Thursday 18 April, 2002, when a plane ploughed into a high rise in Milan. The reaction, after 9/11, of another plane going into a tall building sent the German BOBL (a government security with a five-year maturity) vertical – up 70 ticks in just a few seconds.

Codd was long 300 contracts for this move (70 ticks x 300 contracts = £210,000 potential profit), even though his account size allowed him to trade more than twice that number. As the market started to realise that this was a relatively tiny accident with a small light aircraft and unlikely to be a terrorist attack, he sensed the top and went on to the offer to try and sell his position, only to 'chase it down'. Each time he put in an offer, the market would fall further, and he eventually came out with a profit of just four ticks (£12,000).

While many of the ex-floor traders couldn't make it off floor, others went on to



profit and thrive in the new, sterile world of electronic trading. The arcades are constantly taking on fresh recruits and training them up. Codd scans for recruits who are 'confident but equally humble'.

After several months of induction and simulated trading, the recruits are released to trade live and the success rate is very high. Many are content to come away with 'a grand a day', he says, while others are 'taking £35,000 a day out of the market'.

After trading his own account, Codd found that he got 'more of a buzz' organising things and also discovered that, although he was making money, the losing days rather got to him.

## Visit to Vegas

He loves to visit Las Vegas each summer, enjoying the scene and playing blackjack – his game of choice. He always takes along a set amount of cash to lose. His favourite spot in Vegas is The Venetian, although this summer he plans to stay at The Wynn – billed as the newest, hottest and most glamorous casino on the strip.

Codd has no kids and lives in Amersham, Bucks, with his partner Naisha and the family dog, Charlie.

At the moment he is looking to perhaps trade a futures fund or simply trade from home – after all those years with the lads. ■

EXTRACTS TAKEN FROM THE TRADERSPEAK.COM CD

HE HAS TURNED INTO THE STALKER AND HUNTER – WAITING FOR THE MARKETS TO HIT A CERTAIN PRICE AND "SETUP" BEFORE "GOING IN".

ERLAND USES A HOST OF FREE INTERNET SITES NOW FOR TRADING RATHER THAN PAYING FOR ACCESS. HE DESCRIBES HOW TRADING IS NOW A PROFITABLE "HOBBY" AND AN "INTERESTING PASTIME", WHICH IS ENJOYABLE RATHER THAN BEING ANY LONGER A THRILL.

HE IS A LIVING EXAMPLE OF SOMEONE WHO HAS MODESTLY FOUND HIS PLACE IN THE TRADING WORLD - PERHAPS SOMETHING MORE OF US SHOULD STRIVE FOR.

**13. KEITH D 20 MINS**

**FILES: KEITHD1.MP3**

**PRIVATE TRADER: UK**

**BORN: 1943 YEARS IN THE MARKET: 3**

**METHOD OF TRADING: SPECULATIVE**

**MAIN INSTRUMENTS: UK INDEX & STOCK OPTIONS**

CLASSIC AND SOMEWHAT SAD STORY OF FAILURE IN THE MARKETS, WHERE INDIVIDUALS MAY SPECULATE THEIR OWN AND THEN THE MONEY OF OTHERS ON THE GAMBLE TO MAKE MONEY. KEITH DESCRIBES HIS FASCINATING TRIP THROUGH THE LONDON OPTIONS MARKETS IN THE LATE 1980'S AS HE TRADED HIS MONEY AWAY AND EVENTUALLY STOPPED TRADING.

LISTEN TO THIS STORY AND TAKE NOTE.

**14. MARK CODD 21 MINS**

**FILES: MCODD1.MP3**

**SPEC/FLOOR/ARCADE TRADER: UK**

**BORN: 1975 YEARS IN THE MARKET: 10**

**METHOD OF TRADING: SPECULATIVE**

**MAIN INSTRUMENTS: FUTURES**

WITNESS TO THE END OF FLOOR TRADING ON LIFFE AND THE RISE OF WHAT ARE KNOWN AS THE "ARCADES". THESE ARE PLACES AROUND THE WORLD WHERE (SOMETIMES) HUNDREDS OF TRADERS SIT AND TRADE THE FUTURES MARKETS TOGETHER, RENTING DESKS WITH ALL THE TOYS - AT PREMIUM RATES.

MARK DESCRIBES THE DAYS AND ATMOSPHERE DOWN ON THE LATE LIFFE FLOOR AS WELL AS THE POTENTIAL PROFITS AND TRAINING OFFERED AT AN "ARCADE", WHERE POTENTIAL TRADERS ARE TURNED INTO ACTIVE TRADERS AFTER SIX MONTHS OF RIGOROUS TRAINING, INCLUDING TIME ON A SIMULATOR.

CODD SHOWS A WORLD WHERE PRIVATE MEETS PROFESSIONAL AND FUSES INDIVIDUALS INTO MONEY-MAKING MACHINES.

**15. SEAN DOWNEY 4H**

**FILES: SHAUN1.MP3, SHAUN2.MP3, SHAUN3.MP3, SHAUN4.MP3, SHAUN5.MP3, SHAUN6.MP3**

**PRIVATE TRADER: COMMODITY BROKER, ANALYST, MONEY MANAGEMENT - UK & AUSTRALIA**

**BORN: 1964 YEARS IN THE MARKET: 15**

**METHOD OF TRADING: TECHNICAL AND FUNDAMENTAL**

**MAIN INSTRUMENTS: FUTURES, OPTIONS, EQUITIES**

## **" YOU DON'T TELL THE CHART: THE CHART TELLS YOU"**

SEAN TALKS OVER FOUR FASCINATING HOURS.

THE FOLLOWING SECTIONS ARE BROKEN INTO SIX FILES THAT MAKE UP HIS FOUR HOURS AND GIVE AN INDICATION AS TO WHAT IS ON EACH FILE:

**SHAUN1.MP3**

HIS FIRST YEAR IN THE MARKETS WAS SPENT IN THE BACK OFFICE AT RUDOLF WOLFF, PERHAPS THE BEST KNOWN COMMODITY FIRM IN BRITAIN AT THE TIME. FROM THERE HE MOVES ON TO BROKING AND TRADING COFFEE AND SUGAR, AS WELL AS "PROP TRADING" (PROPRIETARY TRADING).

"ONE OF THE REASONS I GOT PUT IN THE DEALING ROOM SO EARLY WAS BECAUSE I COULD HANDLE MY DRINK ... A LOT OF BUSINESS WAS DONE DOWN THE PUB ..."



"THEIR IDEA WAS TO LOSE MONEY FOR TAX REASONS ...  
(HOWEVER) I COULDN'T SEEM TO LOSE; WHATEVER I DID"

"THEY DIDN'T TEACH YOU ANYTHING. YOU SANK OR SWAM VERY  
QUICKLY"

SEAN DESCRIBES WHAT IT TOOK TO SURVIVE IN A DEALING  
ROOM. WHAT HELPED TO ERADICATE THE DIVIDE BETWEEN THE  
"UPPER CLASSES" AND THE "EAST END" AND WHAT IT TAKES NOW  
TO GET INTO MARKETS.

"HEDGE FUNDS DEFINITELY SEEM TO REMAIN THE OLD SCHOOL  
TIE..."

SEAN SAW A STORY RELATING TO THE SHORTAGE OF COTTON  
DUE TO FLOODS ON THE YANGTZE RIVER IN CHINA. THIS  
CAUSED HIM TO GET LONG OF SOYABEANS BEFORE THE  
CHINESE EVEN BEGAN TO BUY TO FILL THEIR SHORTAGE. HEAR  
THE FULL AND FASCINATING STORY OF HOW SEAN MADE OVER  
20X HIS MONEY IN BEANS IN 2003.

"THERE ARE LOTS OF CONNECTIONS TO DO WITH DIFFERENT  
MARKETS AND ITS IMPORTANT TO TRY AND CONNECT THOSE  
MARKETS TOGETHER AND BE AHEAD OF IT ...."

HEAR THIS AMAZING COMMODITY TRADER AT PLAY.

"WHAT SHOULD HAVE GONE UP, DIDN'T GO UP  
AND IT MUST GO DOWN. I KNOW IT SOUNDS SILLY!  
MAJOR TOPS AND BOTTOMS ARE INVARIABLY  
MADE ON THOSE SORTS OF STORIES."

SEAN DESCRIBES A BREAK ON THE COTTON MARKET. THE WHY'S,  
WHAT TO WATCH OUT FOR AND WHAT TO DO AND WHAT NOT TO  
DO.

SEAN DESCRIBES HIS OPTIONS STRATEGY. HE HOLDS SEMINARS  
ON OPTIONS STRATEGIES AND IS A FORMER OPTIONS MARKET  
MAKER ...

#### **ON OPTIONS:**

"I NEVER EVER SELL NAKED ON OPTIONS - EVER .... I TRADE  
THOSE ONE WEEK TO TWO DAY (TO EXPIRY) OPTIONS NEARLY  
EVERY WEEK BUT I USE TECHNICAL ANALYSIS ... I WOULD  
THOROUGHLY RECOMMEND IT. THERE IS NOTHING WORSE THAN

# Downey goes up

**Shaun Downey has built his career by following his own ideas – which can happen to contradict those around him. Larry Levy talks to a rugged individualist**



Shaun Downey likes to get his motor running on a Yamaha R6

**O**n many a morning, just after 7am, you can hear Shaun Downey's Yamaha R6 bike roaring up the Old Kent Road and into the City of London, where he works for CQG (Commodity Quote Graphics Inc.) as global technical analyst. This is a job where technical analysis meets billions of dollars requiring more than just an entertaining idea of how well a moving average works.

While Downey is training money managers and traders on behalf of CQG, at the same time – thanks to a photographic memory – he can be running up to 100 of his own trading positions in stocks, bonds, commodities and financials. Given that most of the world's derivatives desks use CQG, he gets to train, trade ideas with and befriend some of the world's most influential institutional traders.

When just 16 and having just passed his O Levels, Downey submitted a number of job applications in the City and soon found himself earning an honest living at Rudolf Wolff, the UK's top commodities trading house. The year was 1980 and, after completing a stint in the back office, young Shaun was brought into the cut and thrust of the dealing room to work on the order desk. 'In those days they didn't teach you anything,' he recalls. 'You sank or swam very quickly. Beers were served in the dealing room at four o'clock and, on a good day, it was champagne all round.' How times have changed.

After six years at Rudolf Wolff in which he went from rookie to head of forex, Downey moved to Fulton Prebon, a large US money broker. Given his experience he was immediately put in charge of sorting out a back office system which was 'in crisis'. At one stage, a bed was moved in to enable him to work virtually round the clock. Downey subsequently went on to 'prop-trade' thousands of lots of T-bond contracts a day on behalf of the company.

After this, he spent a few weeks at US brokerage Dean Witter, which he recalls as 'the



**At one brokerage, Downey based an entire trading strategy on executing the opposite trades to the head of the section, so consistently wrong was that person**

most horrible, aggressive and nasty place I have ever worked'. After a chance meeting on a plane, he ended up managing a fund in Sydney, Australia, before returning to the UK. When somewhat tired of the financial world he turned his hand to plumbing. Next he became an apprentice private detective – but soon found that the trading world was much more appealing after all.

## Ahead of the curve

'I now purposely go to the markets that are the most volatile. I can't stand a market that's quiet. It just bores me to tears,' he says. 'Nearly all the methodologies I use are my own. I don't do technical analysis from a book.'

At one brokerage, Downey based an entire trading strategy on executing the opposite trades to the head of the section, so consistently wrong was that person.

A story about flooding in China that had sent the price of cotton flying up caused Downey to suspect that further down the Yangtze River the soybean crop would also be affected. The price of beans had not yet moved – but he discovered the Chinese had forward-booked most of the trans-Pacific freight capacity and suspected they would need the ships to import beans from the US.

Downey bought 20 options on soybeans for around \$200 each, selling them two or three months later at more than \$4,000 each. The soybean price had duly exploded, and though he used fundamental data to enter the position he managed the actual trade using technical indicators.

Downey is very negative on stocks such as Ford, General Motors, Kodak and McDonalds. He describes Kodak as 'terminal', arguing that the company has lost its brand name, and sees GM as effectively bankrupt. 'China is the driver of the world now,' he says, and forecasts a long-term decline in the dollar.

'When markets are volatile, I just watch the bid-ask,' says Downey. 'It tells me whether the market is still going down or up, based on how the offer price keeps coming in and in and in.'

Downey holds a wide range of classes, from technical stock, options and commodity workshops all the way down to the free seminars he is currently arranging together with the London Stock Exchange (details available at [www.oasisresearch.co.uk](http://www.oasisresearch.co.uk))

He lives modestly in Catford, South East London with his wife Joanne and two daughters. 'I learned that money is not a passport to happiness necessarily,' he says. 'There are more important things, though it's nice to have money.' He likes to take the odd luxury holiday, though, and enjoyed a recent stay at the seven-star Burj Al Arab Hotel in Dubai. ■

EXTRACTS TAKEN FROM THE TRADERSPEAK CD SET  
VOLUME 1

TRYING TO COVER A SHORT OPTIONS POSITION THAT'S GONE WRONG."

VARIOUS INTERESTING OPTIONS STRATEGIES ARE DESCRIBED, INCLUDING COMBINING OPTIONS AND FUTURES TRADES TOGETHER TO MAXIMIZE INCOME.

MENTAL AGILITY AND THE IMPORTANCE THEREOF IS DESCRIBED BY SEAN. FOR HIS MIND, FAST MOVING MARKETS ARE A NECESSARY TARGET. OTHERWISE IT'S "BORING".

"I ACTUALLY PURPOSELY GO TO THE MARKETS THAT ARE THE MOST VOLATILE ... I TEND TO MOVE TO WHERE THE VOLATILITY IS ..."

#### **ON MONEY:**

"I LEARNED THAT MONEY IS NOT A PASSPORT TO HAPPINESS NECESSARILY...THAT THERE ARE MUCH MORE IMPORTANT THINGS ..."

#### **SHAUN2.MP3**

"NEARLY ALL THE METHODOLOGIES I USE ARE MY OWN. I DON'T DO TECHNICAL ANALYSIS FROM A BOOK. ITS ALL MY OWN THEORIES, MY OWN CUSTOM STUDIES, MY OWN PATTERNS ..."

SEAN DESCRIBES THAT HE FOUND SOMEONE IN HIS OWN FIRM (HEAD OF THE SHORT STERLING DESK) WHO WAS SO CONSISTENTLY WRONG THAT SEAN WOULD CONSISTENTLY MAKE MONEY FROM TAKING THE OTHER SIDE OF THAT PERSON'S TRADES.

#### **THE INTERNET AND THE COMMODITY TRADER**

SEAN USES SOME OF THE STRANGER MORE PROFESSIONAL SITES ON THE NET TO ANALYZE POSSIBLE ACREAGE YIELDS ON SOYBEANS.

"CERTAINLY CHINA IS A HUGE EXAMPLE OF WHERE THEY WILL NOT TELL YOU ANYTHING TILL THEY'VE COVERED THEMSELVES."

"THE POWERS THAT BE DON'T WANT YOU TO KNOW THAT INFORMATION."

### **SHAUN3.MP3**

\* LONG TERM FUTURE OF THE US\$ AND THE RISE OF THE EURO.

"CHINA IS THE DRIVER OF THE WORLD NOW."

\* INTERESTING THEORY ON THE 1987 STOCK MARKET CRASH.

\* "KODAK IS TERMINAL .... ITS DIFFICULT TO SEE THEM TURNING ROUND."

\* "I'M A BIG FAN OF FAIR VALUE ..."

### **SHAUN4.MP3**

AFTER HIS STINT AS A PRIVATE DETECTIVE, DESPATCH RIDING AND SETTING UP A SPECIALIST TRAVEL AGENCY, DOWNEY ENDED UP WORKING AT REUTERS ON THE GLOBEX PROJECT - ONE OF THE WORLDS FIRST ELECTRONIC ORDER ROUTING SYSTEMS. HE THEN WORKED IN A SPECIALIST ROLE ON SCHWARTZATRON (THE REUTERS OPTIONS PRODUCT), REUTERS TECHNICAL ANALYST AS WELL AS THE NEW VERSIONS OF REUTERS TERMINAL AND EXCEL PROGRAMMING. HE TALKS ABOUT HIS TIME AT REUTERS AND THE COMPANY CULTURE, AND HOW "THEY WERE TOO SLOW IN THE LATE NINETIES".

COULD REUTERS BE THE KODAK OF THE DATAFEED WORLD ? AFTER LEAVING REUTERS HE JOINED CQG (COMMODITY QUOTE GRAPHICS INC) IN 1991. HE DESCRIBES HIMSELF IN A "PSEUDO SALES SUPPORT" ROLE, HELPING TO PROMOTE MARKET PROFILE TO THE CQG CUSTOMER BASE.

HE DESCRIBES HOW "A LOT OF THE ANALYSTS ARE STUCK WITH THE OLD CLICHÉS AND ... THE REAL TECHNICAL ANALYSTS TEND TO BE ... IN SOME OF THE SMALLER PLACES WHERE THEY ARE GIVEN THE OPPORTUNITY TO BE MORE SPECIALIST AND REALLY SIT DOWN AND GO THROUGH IT ..."

### **THE ROLE OF THE COMPUTER**

DOWNEY DESCRIBES HOW HE COULDN'T POSSIBLY DO HIS JOB AND TRADE AS MANY MARKETS WITHOUT THE CENTRAL ROLE OF THE COMPUTER. HE DESCRIBES HOW THE COMPUTER IS COMPREHENSIVELY EMPLOYED. HOW HE TRADES (WHAT IS PRIORITIZED) AND HOW HE DOES NOT "FINESSE" HIS ORDERS. SEAN CAN HAVE UP TO 100 SEPARATE AND CONCURRENT POSITIONS RUNNING AT ONE TIME.

**SHAUN5.MP3**

## **"THE ROADMAP....**

**SEAN TALKS ABOUT GIVING AWAY "SECRETS" AND STUDIES. DO THEY AFFECT THE MARKET?**

**SEAN DESCRIBES HIS ACTUAL TRADING TECHNIQUE: HOW ANALYSIS IS TRANSLATED INTO ACTUAL TRADES. INVALUABLE TIPS ON PLACING BETTER TRADES AND THE THINKING AND TRADE LOGIC EXECUTION PROCESS INVOLVED.**

**\* MARKETS COMPARED: FTSE/SUGAR/DAX/EUROSTOX: SECTOR COMPARISONS.**

**\* INTERMARKET RELATIONSHIPS: SOME ADVANCED VIEWS AND EXAMPLES.**

**\* TRADE TIMING. REVERSAL TRADER?**

**16. TOM SEYMOUR (NAME CHANGED) 1H  
FILES: TOMS1.MP3 & TOMS2.MP3**

**PRIVATE TRADER: UK**

**BORN: 1960 YEARS IN THE MARKET: 6**

**METHOD OF TRADING: SPECULATIVE, TECHNICAL**

**MAIN INSTRUMENTS: FUTURES, WARRANTS**

**HIS MUM SAYS HE HAS "THE GAMBLING DISEASE". TOM WAS A JOURNALIST AT ONE OF BRITAIN'S LEADING NEWSPAPERS, AND DECIDED TO GIVE THIS UP IN FAVOUR OF TRADING MARKETS. HE DESCRIBES THE BATTLE OF EMOTION OVER REASON AND OF LEARNING THE DISCIPLINE.**

**"VERY OFTEN, I HELD ONTO A TRADE WHEN I KNEW PERFECTLY WELL I SHOULD NOT."**

**"SOME OF THE MORE SIGNIFICANT LOSSES WERE TURNING POINTS, BECAUSE THEY DEMONSTRATED THE TRUTH OF WHAT I WAS READING."**



## **TIME FRAME AND RISK**

\* **LINKING TIME FRAME TO YOUR RISK PROFILE. FIXING VOLUME & RISK.**

\* **TAKING EMOTIONAL ATTACHMENT OUT OF THE TRADING DECISION.**

\* **HOW A DAY TRADE CAN BECOME A "STRATEGIC TRADE". DOLLAR / YEN EXAMPLE OF HOW AN INTRADAY SIGNAL DEVELOPED INTO A WEEKLY.**

**" YOU DON'T TELL THE CHART: THE CHART TELLS YOU"**

**WHAT DO PEOPLE "IN THE KNOW", KNOW EARLY?**

**FROM RECENT ELECTRICAL BLACKOUTS TO THE BUDESBANK, SEAN HIGHLIGHTS HOW "THERE'S ALWAYS A LEAK". OFTEN THERE ARE CLUES IN THE CHARTS!**

**THE ROLE OF VOLUME. SEAN GIVES MULTIPLE EXAMPLES. SEVERAL INTRIGUING USES OF VOLUME INFORMATION ARE HIGHLIGHTED.**

**HOW DOES SEAN PLACE ORDERS AND WHY HE DOES NOT USE ELECTRONIC ORDER ROUTING!**

**"I WILL FREELY GIVE AWAY MY METHODS"  
HE DESCRIBES HIS PERSONAL ANALYTICAL MARKET METHODS, WHICH LEAD TO HIS TRADING.**

**HIS VIEWS ON WHY "FIBONACCI DOESN'T WORK ANYMORE". WHICH MARKETS STILL WORK.**

**WHICH INDICATORS HE USES.**

**DETAILS ON THIS FILE INCLUDE THE IMPORTANCE OF LONG-TERM INTRADAY DATA. EXAMPLES GIVEN.**

# Ace of diamonds

**Market veteran Richard Diamond has traded for over 40 years. He talks to Larry Levy about learning the hard way to survive and thrive**

**T**here are perhaps few traders in the world who have been in the market daily since 1960 and probably even fewer who are quietly as well-known and loved as Richard Diamond.

Born in 1936 in New York City, Richard grew up in the borough of Queens. He trained in the Marine Corps at Paris Island in 1959 and subsequently joined the Active Reserves.

One day the young Diamond sat down and engaged in a 'serious talk with dad', who owned seats on the New York Stock Exchange and the American Stock Exchange (AMEX). Not long after, he decided to join his father on the AMEX clearing trades in what is termed 'two-dollar business'.

After five years, Richard departed the floor to trade his own account. He regards this as a milestone: the start of his real trading career. From 1965 to 1978, he ran his own trading operation and cleared through Purcell Graham & Company. Like most traders before him, the initial years were spent learning the hard way. But it was during this intense period that he formulated the basic risk-management principles that have enabled him to survive and thrive over the past four decades.

In the early 1980s, Diamond traded out of the Spear, Leeds & Kellogg office in Greenwich, Connecticut, after which he started trading from his home in Brookville, Long Island. Seven years ago he moved to the warm and scenic Vero Beach area in Florida, where he has been operating ever since.

## Market Mentor

Over the past 40 years, Dick Diamond has traded extensively in stocks, options and futures. Currently he trades index-related issues, such as S&P 500 e-mini futures.

In 1979 he 'mentored' the young Bob Prechter, who traded alongside him for a year dealing mainly in options. Prechter went on to win the options division of the US Trading Championship and published his well-known book *The Elliott Wave Principle* (Frost & Prechter). This book transported the Elliott Wave Theory

of markets from relative obscurity into the daily financial market place.

At Prechter's behest, Diamond began offering trading courses. From 1986 to 1988 he trained more than 200 people. After this he returned to trading full-time but recently started holding occasional courses again at the Disney resort near his home in Vero.

## The commandments of trading

'I call one group the eagles and one group the turkeys,' says Diamond. 'The thing that separates those who will succeed in trading and those who will fail is emotional discipline.'

'Without this discipline it's only a question of when you are going to fail. Having the best technical indicators and software with the finest technology will not provide the answer without emotional discipline.'

**'The thing that separates those who will succeed in trading and those who will fail is emotional discipline.'**

Diamond's particular system takes an activity that is 'inherently very, very speculative' and converts it into something that is 'fairly conservative,' notes his former student Jerry Solin.

Another ex-student, Chris Antonio, says, 'What Diamond imparts that differs so markedly from other teachers is his precise and multi-layered approach to quantifying risk. Basically, Diamond educates his students in the art of playing good defence.'

According to stockbroker and money



**Winning hand: Trading veteran Richard Diamond**

manager Charles Neuhaus, who attended a Diamond course during the week preceding the 1987 market crash, his risk management process is divided into three sections: managing the risk in any one trade; evaluating how well you are trading and learning from your mistakes. Diamond depicts these and other tenets he teaches for long-term market survival as the commandments of trading.

Only after inculcating this does he dig into his extensive toolbox of diverse market techniques involving overall trend analysis and background preparation, implementing the principles he has taught by trading live with students.

The core of Diamond's trading technique involves using five standard technical indicators and two drawing tools to give what he terms 'the 80/20 set-up' probability of the trade being successful. The technique can be applied to trading in stocks, futures and options.

## Lifestyle

Three generations of Diamond men have now cut their teeth in the markets, with both Richard's sons following him into trading, working in New York City. Married for over 40 years to Sharie, Richard lives modestly and keeps fit by walking, jogging and playing golf.

Living on the Florida coastline means living in the path of the severe hurricanes that come through the sunshine state. This year turned out to be particularly severe and the need to vacate the area appears to be about the only element likely to come between Diamond and his trading. ■

TOM STARTED WITH LOW CAPITAL AND NO KNOWLEDGE. SOON HE HAD NO CAPITAL AND MORE KNOWLEDGE, AND AFTER BORROWING AGAINST HIS HOUSE TO MEET HIS LOSSES, HE TURNED HIS TRADING ON ITS HEAD.

“THESE DAYS I LOOK FOR THOSE MOMENTS OF MARKET EXHAUSTION AT WHICH THE CROWD WILL EXIT. I LOOK FOR THE MOMENTS WHERE I USED TO BE FORCED OUT. I THINK TECHNICAL TRADING IS AN EXERCISE IN MARKET PSYCHOLOGY.”

SOME OF WHAT HE SAYS IS, SHALL WE SAY, UNCONVENTIONAL.

“INTRADAY, I DON’T USE A DOLLAR STOP.”

TOM DESCRIBES HIS STOP SYSTEM. SOME WOULD FIND IT DIFFICULT TO TRADE, “MONEY MANAGEMENT WISE”, IN THE WAY TOM DESCRIBES IN THE INTERVIEW. MAKE UP YOUR OWN MIND: IS IT LUNACY OR IS THERE SENSE IN THIS?

“I BREAK RULES IN SOME WAYS. SO I DO BELIEVE IT IS POSSIBLE TO PICK TOPS AND BOTTOMS, WHICH IS AN ARROGANT BELIEF. AND I’VE NEVER BEEN VERY INTERESTED IN TREND FOLLOWING.”

“LEARNING TO TRADE FOR ME HAS BEEN AN EXERCISE IN LEARNING TO CONTROL RISK.”

**17. RICHARD DIAMOND 23 MINS**  
**FILES: DD1.MP3, DD2.MP3 & DD3.MP3**  
**PRIVATE TRADER & MARKET MENTOR: USA**  
**BORN: 1936 YEARS IN MARKET: 44**  
**METHOD OF TRADING: TECHNICAL**  
**MAIN INSTRUMENTS: FUTURES**

RICHARD WAS ON THE NYSE FLOOR FROM 1960 - 1965, WHERE HIS FATHER OWNED A SEAT. SINCE THEN HE HAS TRADED HIS OWN ACCOUNT "UPSTAIRS". FIRSTLY FROM THE OFFICES OF VARIOUS BROKERS, SUCH AS SPEAR, LEADS AND KELLOGG AND LATTERLY FROM VERO BEACH, FLORIDA. NOT A MAN FOR LONG VACATIONS OR TRAVEL, DIAMOND HAS EFFECTIVELY BEEN IN THE MARKET SINCE 1965 ON HIS OWN ACCOUNT.

ONE MAY DESCRIBE RICHARD AS PERHAPS THE LEAST SELF PROMOTING BUT PERHAPS BEST LOVED "MARKET MENTOR"

AROUND TODAY. TAKING SHORT BREAKS FROM HIS TRADING, HE HAS TAUGHT CLASSES ON AND OFF SINCE THE MID EIGHTIES.

**18. TOM WILLIAMS 1 1/2 H**

**FILES: TOMWILLIAMS1.MP3, TOMWILLIAMS2.MP3**

**BORN: 1929 YEARS IN THE MARKET: 40+**

**METHOD OF TRADING: TECHNICAL**

**MAIN INSTRUMENTS: STOCKS & FUTURES**

THE MAN WHO BROUGHT WYCKOFF INTO THE COMPUTERIZED ERA AND TO THE UK, WAS INTRODUCED TO THE MARKETS AS A NURSE IN CALIFORNIA IN THE 1960'S. IN THE LATE 1950'S HE OWNED A CAFÉ IN BRIGHTON CALLED 'WHISKY GO GO' WITH THE UK'S LARGEST COCA COLA CONSUMPTION.

A LEGEND IN HIS TIME, TOM DESCRIBES HOW STOCKS CAN BE CORNERED BY GROUPS OF PEOPLE WORKING TOGETHER IN A SYNDICATE AND HOW TO READ THIS AND OTHER VOLUME AND PRICE INFORMATION FROM CHARTS.

**19. RON KOBLER**  
**FILE: KOBLER1.MP3, KOBLER2.MP3 & KOBLER3.MP3**  
**SCIENTIST AND PRIVATE TRADER: USA**  
**BORN: 1949**  
**YEARS IN THE MARKET: 6 (NO LONGER TRADING)**  
**METHOD OF TRADING: TECHNICAL**

**TOST = THE OTHER SIDE OF THE TRADE**

**RON KOBLER IS ESSENTIALLY A SCIENTIST WHO DECIDED TO GO FIGURE OUT HOW MARKETS ACTUALLY WORK. AFTER INVENTING UNIQUE WAYS TO RECYCLE PLASTICS HE DECIDED TO "RECYCLE" MARKET DATA IN THE LATE 1980'S TO SEE IF HE COULD THEORISE HOW THE MARKET PROCESS OPERATES. THE RESULT WAS TOST, WHICH WAS LAUNCHED IN OCTOBER 1989 AT THE FIA SHOW IN CHICAGO. TOST WAS A SATELLITE BASED BROADCAST SYSTEM, WHICH SENT OUT SUPPLY AND DEMAND DATA CALCULATED USING FORMULAS DERIVED BY KOBLER TO MEASURE SUPPLY AND DEMAND.**

**IN THE TIME TOST OPERATED, CONSIDERABLE PROGRESS WAS MADE IN DISCERNING THE DIFFERENCE BETWEEN FIGURING OUT HOW MARKETS SHOULD BEHAVE, GIVEN BUYING AND SELLING PRESSURE, AND THE WAY THEY ACTUALLY BEHAVED. THE DIFFERENCE IS THOSE TAKING POSITIONS ON THE OTHER SIDE OF THE TRADE. THE TOST SYSTEM WAS ABLE TO DISCERN THIS AND ADD A HUGE LAYER OF UNDERSTANDING TO STOCK MARKET DYNAMICS. IN HIS INTERVIEW RON GIVES AN INSIGHTFUL VIEW INTO THE WAY MARKETS OPERATE IN REAL-TIME AND ONE CAN BEGIN TO SEE HOW RON'S THINKING FITS IN WITH THAT OF PETE STEDLEMAYER, TOM WILLIAMS AND OTHER GREAT MARKET THINKERS.**

**FASCINATING INSIGHTS IN TO WHAT MAKES MARKETS REALLY TICK.BE**

**TOST DEMO:**

**AN ORIGINAL TOST DEMO OF SCREENGABS FROM THE WEEK BEFORE THE 1989 CRASH HAS BEEN FULLY REPRODUCED HERE IN THE \TOSTDEMO\ DIRECTORY. UNFORTUNATELY, WE COULD NOT MAKE IT RUN IN WINXP, SO YOU MAY NEED AN OLDER VERSION OF WINDOWS OR A DOS BOOT TO RUN THE DEMO.**

HOWEVER, THE DEMO IS MADE UP OF PCX FILES, WHICH MAY BE READ INTO PACKAGES SUCH AS PAINT SHOP PRO. HOWEVER, THIS IS NOT THE DEMO. ALSO, PLEASE IGNORE THE PHONE NUMBER AND ADDRESS ON THE DEMO. THEY DATE BACK TO THE TIME IT WAS PUBLISHED. IT IS PREFERABLE TO RUN THE DEMO USING THE DEMORUN BATCH COMMAND AS THIS RUNS THE SCREEN GRABS IN A SIMILAR FASHION TO THE WAY THE ACTUAL LIVE TOST SYSTEM USED TO RUN, USING THE F1 THRU F9 KEYS.

### **ADDENDUM ON CHINA:**

FILE: KOBLER3.MP3

RON IS BACK IN THE PLASTICS RECYCLING BUSINESS NOW AND HIS OBSERVATIONS ABOUT CHINA RELATE BACK TO THE PRICE OF RAW MATERIALS AND COMMODITIES WORLDWIDE AND PERHAPS THE FUTURE OF OUR EARTH. THESE ON THE GROUND OBSERVATIONS ARE WELL WORTH A LISTEN, AS THEY FIT WELL WITH THE PREDICTIONS OF A RISE IN THE PRICES OF RAW MATERIALS PREDICTED BY OTHERS IN THESE INTERVIEWS.

# TRADERSPEAK

VOLUME 1, v1.1

VOLUME 1 CD TWO

**20. ROB ALLEN 42MINS**

**FILES: ALLEN1.MP3**

**PRIVATE TRADER: UK**

**BORN: 1964 YEARS IN THE MARKET: 5**

**METHOD OF TRADING: TECHNICAL**

**MAIN INSTRUMENTS: FUTURES**

FOR MANY YEARS ROB WORKED FOR BRITISH TELECOM (BT). AS AN APPRENTICE HE HAD TO WORK ON THE LIVE LIFFE FLOOR FOR BT. TALKING TO TRADERS ON THE FLOOR HE DECIDED "THERE AND THEN" THAT HE WANTED TO GET INTO TRADING. SOME YEARS LATER HE DEVELOPED A SIMPLE SYSTEM FOR TRADING VIA A SPREAD BETTER AND EVENTUALLY ENDED UP ON A FUTURES TRADING COURSE. ALTHOUGH HE NO LONGER TRADES WITH THE METHODS TAUGHT ON THE COURSE, IT GAVE HIM THE STIMULUS TO GET SERIOUS.

AFTER STRUGGLING IN THE FUTURES MARKETS, ROBERT HAS NOW TURNED HIS ATTENTION TO TRADING THE FOREX MARKETS. HE USES SIMPLE STRATEGIES LIKE PATTERN BREAKOUTS AND HAS ERSTWHILE ADVICE FOR PEOPLE WHO ARE THINKING OF LEAVING THEIR JOBS TO TRADE. AS WELL AS THE PRO'S AND CONS OF DIFFERENT SPREADBETTING FIRMS AND WHAT TO DO AND WHAT NOT TO DO WHEN STARTING OUT WITH LIMITED CAPITAL.

"YOU UNDERSTAND THAT SYSTEMS COME AND GO BUT YOU'VE GOT TO GET YOUR MIND RIGHT TO MAKE MONEY."

"YOU HAVE A BAD DAY AND YOU THINK "THAT'S THE MORTGAGE I COULD HAVE PAID OFF ..."

"DON'T TELL YOUR WIFE WHETHER ITS BEEN A GOOD OR A BAD DAY .... FROM MY EXPERIENCE ... YOUR WIFE WILL KNOW ANYWAY ..."

"ONE DAY I KNOW THAT I AM GOING TO MAKE A LOT OF MONEY AT IT ..."



# The power of the mind

**Julian Behrman believes psychology plays a key role in successful trading. Larry Levy puts him on the couch to test his theory**

**A**t 28, Julian Behrman was a self-made millionaire in the electronics field. Then, after selling his company Micro X to the Parkfield Group in 1990 and still barely 30 years of age, he took up trading full-time. This was partly to capitalise on the experience he gained on the foreign exchange side of import/export and partly due to the influence of his father, who is a successful technical futures trader.

Four years and 400 trading books later, Julian found that he had entered a world of smoke and mirrors. Having 'made quite a lot and lost quite a lot of money trading', he discovered that perhaps the biggest challenge to trading success was not the technique, market or system he was using but his own mind.

While trading, he became more and more interested in the psychology behind it. Finally he switched tack, entered university and began studying psychology.

Now 44, Behrman is a chartered psychologist and trades simply as a part-time hobby, in far smaller sizes than before. And he is more consistently profitable. He also makes the time to lead a balanced lifestyle: 'I like to ski, play a bit of squash, and do a bit of running,' he says. 'I read a lot, enjoy the theatre, going to movies, having a beer, socializing and travelling.'

## Trading technique

'If you stare at bars going up and down on a screen, you learn unconsciously as well as consciously,' says Behrman. 'You realise that you can see when things are going up and down. But being able to act on that information is far more difficult.'

'I look at multiple time-scales and I go with the long-term trend on pullbacks – such as buying the dips in a bull market or selling the rallies in a bear market.'

'If you stare at a screen for long enough and you look at enough patterns, eventually you'll get used to when something is no longer going down or going up and you start to notice when things are turning around.'

The state of your mind is affected to an important degree by the size of your trade, says Behrman: 'It's important to trade with the kind of size that doesn't destabilise you psychologically – in other words, an amount you can easily win or lose without being too emotionally involved.'

'Success depends on how much you've got, how secure you are, how stable your mind is, or how you feel that morning. These are the factors that matter. These things cloud your judgment, alter your perception of reality and can adversely affect your trading. It's not

**'...it's not some factor external to themselves that's causing the problem. The problem is always in the trader's mind and not in the market. The markets simply are.'**

technical indicators – it's the stuff in your head that does the damage. Your mind can misinterpret any number of technical indicators.'

## The comfort zone

Behrman feels there's no magic formula for private traders to pick up on: 'There's no black box system that works as far as I'm concerned. I'm not really interested in what the analysts tell you about their widgets.'

'I aim for psychological comfort – nothing else. If for any reason I don't feel right that



day, I won't trade. Trading led me into psychology and I am pleased to be doing something other than the nightmarish situation of being stuck in front of a screen all the time.

'Now I trade to supplement my income to some extent. I've got three kids, all at school. It's partly for money, partly for fun and it's a bit of a challenge.'

'These days I trade mainly margined FX and some stocks. I don't bother with futures any more.'

## Taking responsibility

Behrman is a firm believer in individual responsibility when it comes to trading decisions. 'If somebody comes to me and says, "Look, I've got a problem with my trading" – that's good. Because then they start to take responsibility for the fact that it's not the system, it's not the black box and it's not some factor external to themselves that's causing the problem.'

'The problem is always in the trader's mind and not in the market. The markets simply are.'

Looking back, he reflects: 'I got to realise through trading that something didn't make sense. Not just in the trading but in my whole life. Trading was just a reflection of it. At that time I decided that psychology seemed more interesting than anything else. I had the cash and I used the time and I thought, "Why not go back to school?" I have no regrets.' ■

EXTRACTS TAKEN FROM THE TRADERSPEAK CD

**21. JULIAN BEHRMANN 1HR**  
**FILES: BEHR1.MP3 & BEHR2.MP3**  
**PRIVATE TRADER: UK: MARKET PSYCHIATRIST**  
**BORN: 1959 YEARS IN THE MARKET: 14**  
**METHOD OF TRADING: TECHNICAL**  
**MAIN INSTRUMENTS: FUTURES, FOREX**

HAVING BUILT UP BRITAINS LARGEST SATELLITE HARDWARE COMPANY AND SOLD OUT AGED 28 FOR A FEW MILLION POUNDS, JULIAN WAS INTRODUCED TO TRADING BY HIS DAD, A SEASONED PRIVATE TRADER. JULIAN MADE HIS OWN PATH HOWEVER. IN HIS EARLY THIRTIES JULIAN RETURNED TO UNIVERSITY TO TAKE A DEGREE IN PSYCHOLOGY.

WITH EXCEPTIONAL INSIGHT INTO TRADING, JULIAN NOW TRADES AS AND WHEN HE FEELS COMFORTABLE AND CONSULTS (AT VERY REASONABLE RATES) TO TRADERS AND THE PUBLIC IN GENERAL. JULIAN "DRAWS" ON HIS TRADING ACCOUNT PROFITS WHEN HE NEEDS MONEY.

# Hill shows the way up

**John Hill worked his way up from humble origins to establish himself as a leading light in systems trading. Larry Levy finds out more**

**J**ohn Hill is 'so much smarter than he likes to make out,' is one professional's observation of this world-renowned systems trader.

With his dry southern US accent, Hill has an allegorical, and somewhat humorous style when it comes to the truth of life and the markets.

'There were times I didn't know where my next meal was coming from,' admits Hill, talking of his childhood years on a farm in Mississippi during the Great Depression.

He entered World War II as part of an elite unit, too late to see much action, then in the 1950s started practising as a chemical engineer for Shell Oil, working across America in different refineries.

With an engineer's salary of around \$300 a month and a family to support, he became a keen part-time investor in blue-chip stocks. One day, he overheard several people expounding about the leverage possible with futures trading. With only \$1,000 in his account he began taking positions in soybeans and sugar. Within the space of three months he had built up his initial stake to more than \$80,000.

By late 1958, John Hill had pyramided his position up to 200 contracts of soybeans. Prices had been rising on the basis of a drought when, as he bemoans, 'one Saturday they had a gully washer [a sudden rain storm] come through the Midwest', thus ending the dry spell that had driven prices up.

On the Monday Hill emerged from his position with \$5,000 - still up 500% in three months and thankful for being able to get out without losing his home. Though suddenly humbled by the power of the market, Hill admits to becoming hooked, noting, 'If it can be done once, it can be done again'. He soon decided to start trading technically and get himself some 'technical smarts'.

## Trader in town

Hill's engineering job often landed him in Washington DC on a Friday night and he would frequently spend weekends at the United States Library of Congress reading books on technical trading. During the week, if he was passing through a town where a 'so-

called trading expert' lived, he would try to meet up and pick the expert's brains.

Some 15 years later, in 1973, Hill left his engineering job to become a full-time trader and broker, and moved his family from Baton Rouge to the scenic Appalachian Mountains in Hendersonville, North Carolina.

By the 1980s, and with the advent of early PCs, he found himself spending several thousand dollars on trading 'systems' which he often found were a total waste of money. Somewhat infuriated, he decided to start a publication, *Futures Truth*, in which different trading systems were compared side by side, based on common denominators.

**With only \$1,000 in his account he began taking positions in soybeans and sugar. Within the space of three months he had built up his initial stake to more than \$80,000**

Within a short period of time, not only was Hill reviewing systems without having to pay for the privilege but developers were sending their software in for assessment. *Futures Truth* became, and remains, an authority on trading systems throughout the world.

## The truth is out there

'There's enough truth in anything to literally drive you up the wall,' notes Hill. 'When it comes to system design, I can give you any return you want in hindsight, due to curve fitting, but don't ask me what it will actually do tomorrow!'

Generally, he uses short as well as long-



term trend-following systems, triggered by breakouts and pattern-recognition as well as standard deviation. Additionally, effective money management is a fundamental element of all of John Hill's trading systems.

'What I'm looking for is two trading systems that are completely out of phase but both make money. So you end up with a pretty smooth equity curve,' he explains.

The best \$500 Hill claims he ever spent was on the Wyckoff Course in the 1960s - 'nothing works but Wyckoff. He bases many of his core trading principles and systems on the volume and price action principles championed by the early-century trader and analyst Richard D. Wyckoff.

As well as having authored a number of titles himself on trading, Hill recommends reading *Taylor's Trading Techniques*.

## A family business

Happily married, Hill has two boys and a girl, now grown up and in their forties. They have all followed him successfully into 'the business'. Nowadays, he just develops trading systems, which he loves, leaving others to do most of the order placement.

Hill trades stocks as well as futures, and aims for a 25% per year return for his clients with a draw-down of less than 10%. He wonders about the future stability of the US and places his non-trading funds in New Zealand dollars.

Retirement? 'When you retire you die,' says Hill. 'I don't consider this work. I consider this enjoyment.' He takes his health seriously, running and playing golf while enjoying regular vacations - especially the Caribbean in the winter months. ■

EXTRACTS TAKEN FROM INTERVIEW ON THE TRADERSPEAK CD.

**23. JOHN HILL 1 H**  
**FILES: HILL1.MP3, HILL2.MP3**  
**PUBLIC /PRIVATE & SYSTEMS TRADER: USA**  
**BORN: 1926 YEARS IN THE MARKET: 40+**  
**METHOD OF TRADING: TECHNICAL**  
**MAIN INSTRUMENTS: FUTURES**

**JOHN HILL TURNED \$1,000 INTO \$80,000 IN THE EARLY 1960'S IN THREE MONTHS**

**"IF IT CAN BE DONE ONCE IT CAN BE DONE AGAIN ..."**

MR HILL IS WIDELY RECOGNIZED AS THE DOYEN OF TRADING SYSTEM ANALYSTS AND TRADERS, WITH HIS PUBLICATION FUTURES TRUTH, WHICH HE SAYS HE FOUNDED OUT OF ANGER WITH THE NONSENSE AROUND AT THE TIME. IN BETWEEN THE LINES, AND HIS WRY SENSE OF HUMOR, JOHN HILL REVEALS NUMEROUS TRADING TRUTHS AND POINTS TO THE FUNDAMENTAL PRINCIPLES USED IN HIS TRADING SYSTEMS.

"A WISE FOX IF THERE EVER WAS ONE" - IS HOW ONE LISTENER PORTRAYED HIM.

**22. CHRISTOPHER DAVIS 1 H**

**FILES: DAVIS1.MP3, DAVIS2.MP3**

**ADVISORY STOCKBROKER, FX BROKER, FIN FUTURES  
BROKER, PRIVATE/INSTITUTIONAL TRADER: MONEY & FUND  
MANAGER: UK, USA**

**BORN: 1963 YEARS IN THE MARKET: 18**

**METHOD OF TRADING: FUNDAMENTAL WITH SOME TECHNICAL  
BACKUP**

**MAIN INSTRUMENTS: STOCKS, FUTURES, FOREX, OPTIONS,  
BONDS**

WITH ENOUGH TRADING EXPERIENCE TO FIT INTO SEVERAL LIFETIMES, CHRIS DAVIS IS A CONSUMMATE PROFESSIONAL. FOR OVER 15 YEARS A PROFESSIONAL PRIVATE CLIENT BROKER TO THE WELL HEALED AND THE PRO ALIKE, CHRISTOPHER HAS A PORTFOLIO OF CLIENTS THOUGH HIS SOLID PERFORMANCE MOST BROKERS ONLY DREAM OF. CHRIS IS ESSENTIALLY A FUNDAMENTAL TRADER, BUT NEVERTHELESS USES TECHNICAL ANALYSIS TO TIME HIS TRADES. HE DESCRIBES IN DETAIL THE DETECTIVE WORK INVOLVED IN DIGGING OUT POTENTIAL INVESTMENT OPPORTUNITIES: ABSOLUTELY FASCINATING LISTENING.

CHRIS LEFT BROKING A FEW MONTHS AGO TO START HIS OWN FUND: FOUNDER ASSET MANAGEMENT IN BALTIMORE, MARYLAND. IN JUST FOUR MONTHS OF OPERATIONS HE HAS SIXTEEN PROFESSIONAL ANALYSTS WORKING FULL TIME ON POTENTIAL OPPORTUNITIES AND OVER \$150 MILLION UNDER MANAGEMENT.

# Riding the waves

**Colin Jäger took up trading full-time after a career in pensions and mortgages, armed with a science degree that stood him in good stead to study the markets. Larry Levy caught up with him to find out more about his unique trading method**



Adrenalin addict: Colin Jäger likes to heli-ski in his spare time

**F**ull-time trader Colin Jäger is riding a wave, thanks partly to his university study of cockroaches. He can boast a following for his own unique style and method, which he calls the 'Jäger Wave'.

Jäger, who lives near Southampton with his wife Julie and eight-year-old daughter Natasha, is a bit of an adrenalin addict. Three-quarters of his trading is based on UK futures – an 'exceptionally insecure way to earn a living', he admits – mainly trading the FTSE with the rest in the S&P.

As a child he wanted to be a scientist and ended up studying biology at university, where he wrote a paper on the behaviour of cockroaches. After graduating he 'got a proper job selling drugs' for pharmaceuticals company MSD, but then set up a company selling pensions and mortgages. He worked hard and did well. One day he came across a customer sitting at home just trading and doing little else, in the days when this was not all that common. Attracted by this concept, Jäger decided to take the plunge and do the same.

## Luck and instinct

In late 1985 he re-mortgaged his house (something he does not recommend), borrowed £70,000 and began trading index-linked funds. He attributes his early success to a combination of 'luck and instinct' he says, 'following little trends along the way'.

Three years later, Jäger had a major breakthrough – something that would change his trading life. He discovered, in a concept he says was linked to his previous studies on cockroaches, that markets resonate and vibrate to a series of waves. These operate continuously in the market and independently of each other. The 'waves' are a series of recurring patterns and are not necessarily linear, which he claims is why the cycle-finders haven't found them.

When these different waves intersect and converge, it often represents a turning point in the market and an advantageous point at which to enter a trade. Jäger claims, for example, that there are as many as 25 different independent wave cycles operating continuously in the FTSE Index. From these he constructs 'wave maps' which he faxes out to his followers.

**When these different waves intersect and converge, it often represents a turning point in the market and an advantageous point at which to enter a trade.**

Jäger keeps his wave theory proprietary but has been complimented by such authors as Tony Plummer, who wrote a well-known book on cycles called *Forecasting Financial Markets*. He maintains his wave maps on the FTSE, S&P and futures markets such as the long gilt. He has also tried mapping the currencies but found it difficult, since currency crosses are always influenced by other currency cross-rates.

## Back to the futures

Generally Jäger's trades are short-term, often lasting just 10-15 minutes and rarely more than two to three hours. These days he only trades futures. Though he has access to an electronic platform, he often opts to call the broker

instead, getting a 'feel' and allowing him a few extra moments to take the pulse of the market before deciding whether to 'pull the trigger'.

After all his research, the precise entry and exit points in Jäger's trades are more often than not instinctive, though he attributes this to running the indicators in his mathematical mind, sensing the moment of white heat.

As a long-term Liffe trader, Jäger doesn't lament the passing of the floor but complains about the occasional onset of 'fat finger syndrome', when a major bank mistakenly hits the sell or buy key on thousands of contracts, instantly taking out most of the bids or offers and spiking the price. He knows you can get 'totally screwed' on your stop being triggered because of a mistaken click.

## Risk awareness

Like the famous Chicago futures trader Richard Dennis, who spawned a school of traders called 'The Turtles', Jäger has nicknamed his students 'The Gophers'. He interviews newbies before taking them on, assessing their abilities and awareness of risk as well as informing potential traders of the gap between the dream of trading and the reality. Some candidates thank him for his advice and proceed no further.

Access to Jäger's services costs between £2,000 and £4,000 a year and includes access to his wave map service.

Away from the markets, thrills are part of his life. After owning a rally-specification Sierra Cosworth, he now drives a silver Audi RS6 Avant that achieves 0-60 in 4.1 seconds. Along with other adrenalin addicts who have spare cash, he enjoys heli-skiing in British Columbia, where the helicopter is your ski lift and the heli-ride can be as exciting as the powder. ■

BASED ON INTERVIEW FROM THE TRADERSPEAK.COM CD SET.

**24. COLIN JAEGER 1 HR**

**FILES: JAGER1.MP3**

**PRIVATE TRADER: UK MARKET MENTOR**

**BORN: 1960 YEARS IN THE MARKET: 18**

**METHOD OF TRADING: TECHNICAL**

**MAIN INSTRUMENTS: FUTURES**

**FOUNDER AND PROPRIETOR OF HIS OWN PROPRIETARY WAVE THEORY AND PREDICTION ENGINE, COLIN DISCUSSES HIS TRADING CAREER AND HIS WAVE THEORY WITHOUT GIVING THE THEORY AWAY.**



**25. CHRIS KOBEWKA 2HR 6MINS**

**FILES: KOB1.MP3, KOB2.MP3, KOB3.MP3**

**PRIVATE TRADER: SPREADBETTER EXTRODINAIRE: MARKET MENTOR**

**BORN: 1960 YEARS IN THE MARKET:**

**METHOD OF TRADING: TECHNICAL**

**MAIN INSTRUMENTS: FUTURES**

CHRIS KOBEWKA WAS ASKED BY ONE SPREADBETTER TO STOP TRADING ON ACCOUNT OF THE EXTENT OF HIS INCREDIBLE PROFIT PERFORMANCE. LISTENING TO CHRIS SPEAK IS LIKE HEARING THE MIND AND LOGIC OF A TRADING GENIUS AT PLAY. THIS ONE IS A NATURAL. HE THROWS NORMAL RISK REWARD LOGIC ON ITS HEAD AND EXPLAINS WHY. LOOKS LIKE MR KOBEWKA HAS JUST BEGUN HIS TRADING JOURNEY TO EXTREME SUCCESS.

"WHEN I WAS THIRTEEN I WANTED TO BE A STOCKBROKER. I HAD NO IDEA WHAT THEY DID, EXCEPT THEY MADE LOTS OF MONEY"

"IT ALL GOES BACK TO WHEN I MADE THAT 1000 POUNDS IN AN HOUR"

"TRADING IS JUST TAKING A CONTRARIAN POSITION. NOT LIKE ON THE NEWS"

# The fine art of the FTSE

**Paul Langham trades intraday, armed only with simple charts and a deep understanding of the odds. Larry Levy spoke with him to find out more...**

**P**aul Langham has spent most of his life dealing in probabilities, working to gain an edge. Born and raised in Essex, Langham achieved his first break at the age of 11, when he was awarded a scholarship to Christ's Hospital, the renowned private school in Horsham, West Sussex. While the other boys were busy playing rugby, the young Langham was busy accepting bets and laying odds on the outcome of the matches, though he also played sometimes too!

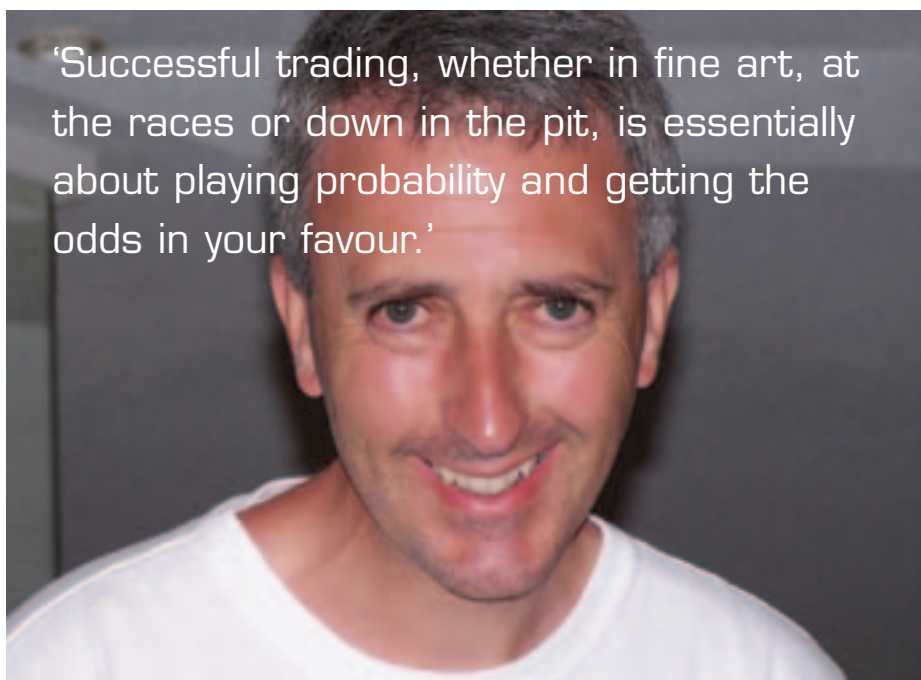
Back in London in the holidays, he jobbed himself out at the local Mecca bookmakers in Hackney, Stratford and Leytonstone as a 'board marker', working in places where he says 'you could cut the smoke into blocks'. He went on to take a basic bookmaking qualification and his next holiday job was on-course for a certain Jolly Joe, as a runner carrying bets between bookies. After the horses at Ascot or Sandown in the afternoons, Paul would often end up at doing the dogs at White City in the evening. Throughout this period, he was digesting the intricacies of the probabilities game, which later became a powerful tool in gaining an edge trading options and futures.

While attending Music School in London, Paul spent many hours 'just hanging around' places like Sotheby's and Christies. Soon he was buying and selling 19th-century landscapes for 'a few hundred', hoping to turn a profit.

## The turning point

Following two years at Lloyds, Paul had a string of IT jobs for large companies such as BT. In 1985 he started to trade – mainly options – with a variety of brokers. He remembers 1987 as a turning point in his life: he moved overseas, taking a job in Brussels with the European Commission, and experienced a wipe-out of his £14,500 account in the October 1987 crash. Following this, he resolved to trade in the future only using his own techniques rather than following broker's advice.

One strategy he uses is to sell out-of-the-money calls. 'Successful trading, whether in fine art, at the races or down in the pit, is essentially about playing probability and getting the odds in your favour,' he says. 'Taking what appear to be high-risk



'Successful trading, whether in fine art, at the races or down in the pit, is essentially about playing probability and getting the odds in your favour.'

types of investment and squeezing the risk out of the trades by playing smart.'

## A smart call

A favourite technique is to sell FTSE 100 index calls. When you sell a call option, you receive a premium from the buyer. This confers on the seller the obligation to settle the difference between the 'strike' price of the option and the actual market price on its expiry. If the strike price is still above the value of the underlying instrument, there is nothing to settle and you retain the premium. Ninety per cent of options expire worthless so, says Paul, 'if you can manage the risks of selling options you have the odds in your favour'.

The FTSE 100 contract is £10 a point. Let's take an example based on the current market:

'Having viewed my charts and based on the fact that FTSE 100 has run up some 400 points in the last two months (around 4700 at the time of writing), I feel now would be a good time to sell some FTSE Jan 2005 4875 index call options – the rationale being that the market should at least stabilise or fall back over the next few months.

'The options would then expire worthless and I would garner the premium (£510 per

option at the time of writing on 12 October).

'On the other hand, in the event that the market moved up against me I would buy back the 4875s at a loss and possibly sell twice as many Jan 5025 options, thus limiting my losses. This is called rolling out.'

Langham shies away from selling puts, because 'these days you never know when some disaster is going to happen and the market goes down too fast to roll out your position.'

## Taking the plunge

While he was working in IT, Langham always wanted to make the jump to full-time trader. This September he took the plunge. Now he trades intraday and uses simple divergence on one-minute charts to gain an edge.

He explains: 'Divergence is when the direction and pattern of our indicators does not follow that of price. Divergence works using a number of the popular indicators, including RSI, Stochastic, CCI and Williams %R to name a few. I strategy-trade using indicators like MACD and Stochastic on Dow or DAX futures.'

Paul lives in Brussels. He loves gardening, collecting fine art, cooking and travelling, and is far happier trading at home than doing a nine-to-five job. ■

**26. PAUL LANGHAM 1HR**  
**FILES: LANGHAM1.MP3 & LANGHAM2.MP3**  
**PRIVATE TRADER: ART DEALER: BOOKMAKER: BROKER**  
**BORN: 1958 YEARS IN THE MARKET: 18**  
**METHOD OF TRADING: TECHNICAL**  
**MAIN INSTRUMENTS: ART, FUTURES, OPTIONS, FX**

PAUL LANGHAM HAD AN IDEA HE WANTED TO BE IN THE MARKETS SINCE THE AGE OF ELEVEN. HE HAS ESSENTIALLY BEEN "PUNTING" ALL HIS LIFE. LANGHAM FEELS TRADING IS IN HIS BLOOD AND VIEWS EVERYTHING IN TERMS OF PROBABILITY AND RISK.

LANGHAM REVEALS HIS LIFELONG CAREER IN TRADING OF DIFFERENT KINDS: FROM "MAKING A MARKET ON SCHOOL RUGBY, HOCKEY AND CRICKET MATCHES, TO WORKING ON RACETRACKS FOR BOOKIES TO ART DEALING TO TRADED OPTION STRATEGIES, WHICH HE DESCRIBES & ULTIMATELY, TO SPEADBETTING, FUTURES AND FX TRADING. PAUL DESCRIBES THE SIMILARITIES BETWEEN MARKETS AND IN A SENSE THE WAY THEY ARE ALL THE SAME: ABOUT BUYING AND SELLING, SEEING, SPOTTING AND MOVING IN ON VALUE, ULTIMATELY GAINING AN EDGE AND MOVING ON FROM THERE. FROM CHRISTIES TO THE CBOE, LANGHAM HAS BEEN THERE AND TRADING ALONG.

HE DESCRIBES THE "GAMBLING INSTINCT", HAVING WORKED ON THE EDGE OF A RACETRACK. TO LANGHAM ITS ALL THE SAME: HORSES, DOGS, FINE ART, FTSE, DOW, MICROSOFT STOCK. HE DESCRIBES THE PHENOMENAL SUCCESS OF INTERNET SITES LIKE BETFAIR.COM. NOW HE TRADES FX AND FUTURES.

"PART OF WINNING MEANS THAT YOU ARE ALSO PREPARED TO LOSE"

**27. MARTIN COLT 1 HR (NAME CHANGED)**

**FILES: MART1.MP3**

**PRIVATE TRADER: UK**

**BORN: EARLY 1930'S YEARS IN THE MARKET: 20+**

**METHOD OF TRADING: TECHNICAL**

**MAIN INSTRUMENTS: FUTURES, OPTIONS**

AS WITH MANY TRADERS, A PATTERN OF LEARNING, PROGRESSION AND HUMBLING TAKES PLACE AS THIS TRULY INDOMITABLE CHARACTER PROGRESSES THROUGH THE VARIOUS STAGES OF BECOMING A SUCCESSFUL PRIVATE TRADER.

ALTHOUGH NOW "RETIRED" FROM TRADING HE KEEPS A KEEN EYE ON THE MARKETS AND IS FAR SHARPER THAN MANY OF US COULD DREAM OF BEING AT ANY AGE.

**28. ALEXIS MONTENEGRO 1 HR 6 MINS**

**FILES: MONT1.MP3, MONT2.MP3, MONT3.MP3**

**PRIVATE TRADER: USA**

**BORN: 1953 YEARS IN THE MARKET: 6**

**METHOD OF TRADING: TECHNICAL**

**MAIN INSTRUMENTS: FUTURES & STOCKS**

**"TRADING IS A BEAUTIFUL ENDEAVOR..." ALEX EXPLAINS HOW HE MAKES IT POSSIBLE.**

BORN IN ADEN, (NOW SOUTH YEMEN), ALEX IS HALF BRITISH AND HALF ITALIAN. HE GREW UP IN MANY PLACES, AS HIS FATHER WORKED FOR THE BRITISH GOVERNMENT AND HIS MOTHER WAS AN ITALIAN DIPLOMAT. IN 1987 HE MOVED TO THE UNITED STATES AND NOW LIVES IN NORTH CAROLINA.

MONTENEGRO DROPPED OUT OF UNIVERSITY AFTER TWO YEARS AND DECIDED TO BECOME A PILOT. AGE 23 WITH JUST 300 HOURS OF FLIGHT EXPERIENCE AND ALL HIS NEW FLIGHT LICENSES, HE WAS LUCKY ENOUGH TO BE OFFERED A JOB FLYING A CORPORATE LEAR JET ALL AROUND THE WORLD FOR AN ITALIAN CONSTRUCTION COMPANY. AFTER THIS HE BECAME A DISTRIBUTOR OF HI-FI EQUIPMENT.

AFTER GETTING INTO DAY TRADING STOCKS AND HAVING "SLAMMED MYSELF INTO A WALL", ALEX BOUGHT ADVANCED GET (GANN ELLIOTT TECHNIQUES) AND HAS "NEVER ABANDONED IT". TOM JOSEPH SHONE "A LIGHT" ON MONTENEGRO'S PERSPECTIVE. HE NOW USES GET REALTIME WITH THE eSignal DATAFEED TO TRADE (MAINLY) THE E-MINI S&P. HE HAS HIS

OWN WAY - MORE LIKE PHILOSOPHY OF USING ELLIOTT WAVE,  
AND GIVES US HIS PRACTICAL VIEW.

**29. PETER NECKELS (NAME CHANGED) 46 MINS**

**FILES: NECKELS1.MP3**

**PRIVATE TRADER: GERMANY**

**BORN: 1966 YEARS IN THE MARKET: 17**

**METHOD OF TRADING: TECHNICAL**

**MAIN INSTRUMENTS: FUTURES, WARRANTS & OPTIONS**

NECKELS DESCRIBES HOW AS A YOUNG MAN HE MADE OVER A  
MILLION DOLLARS, LOST IT AND ALMOST DID THE SAME THING  
AGAIN USING OPTIONS, WARRANTS AND A GREAT DEAL OF  
BRAVADO. WHAT HE DID AND WHAT HE DOESN'T RECOMMEND  
YOU DO!

**30. TOM JOSEPH 48 MINS**  
**FILES: TOMJOSPEH1.MP3**  
**PRIVATE TRADER: TRADING SOFTWARE DEVELOPER**  
**(ADVANCED GET) USA**  
**BORN: 1950'S YEARS IN THE MARKET: 27**  
**METHOD OF TRADING: TECHNICAL**  
**MAIN INSTRUMENTS: FUTURES**

A LEGENDARY TRADER AND INNOVATOR, TOM JOSEPH CAME UP WITH GET (GANN ELLIOTT TECHNIQUES), WHICH NOT ONLY GENERATES ELLIOTT WAVE COUNTS BUT ALSO CONTAINS NUMEROUS OTHER METHODS AND SYSTEMS FOR PREDICTING MARKET MOVEMENT.

UNIQUELY IN THE INTERVIEW, TOM HIGHLIGHTS MANY OF THE THINGS THAT HE STILL USES AND HOW HE TRADES TODAY, AFTER DEVELOPING SUCH A LIBRARY OF TECHNIQUES. TOM DESCRIBES WHAT HE FEELS IS MOST IMPORTANT IN TRADING, AND WHAT YOU NEED TO DO TO GET PAST WHAT TOM CALLS THE "FRESHMAN" STAGE OF BEING A TRADER.

**31. SCOTT TRICOU 2 H**  
**FILES: TRICOU1.MP3, TRICOU2.MP3, TRICOU3.MP3**  
**PRIVATE TRADER: DISCRETIONARY BROKER**  
**BORN: 1953 YEARS IN THE MARKET: 32**  
**METHOD OF TRADING: TECHNICAL**  
**MAIN INSTRUMENTS: FUTURES, OPTIONS**

SCOT TRICOU IS A LIVING BREATHING EXAMPLE OF SOMEONE WHO WANTED TO BE NOTHING ELSE ALL HIS LIFE EXCEPT BE A BROKER AND A TRADER. HE GOT INTERESTED IN COMMODITIES AGE 15 AND HE DESCRIBES HIS LIFE AND HOW BY THE AGE OF 23 HE HAD ACCUMULATED ENOUGH MONEY TO BUY HIMSELF A NEW HOUSE. HE ALSO TALKS ABOUT HOW HE DEVELOPS SYSTEMS AND HOW HE RATES THEM, AS WELL AS HIS LIFESTYLE AS A TRADER AND A BROKER.

TRICOU SLEEPS WITH A TAPE RECORDER BY HIS BED IN CASE HE SHOULD THINK OF ANY NEW TRADING SYSTEMS IN THE NIGHT. HE HAS A NUMBER OF COMPUTERS CONTINUOUSLY TESTING TO COME UP WITH THE NEXT BEST SYSTEM FOR A CHANGING MARKET.

**32. RICK VERSTEEG 1HR 23MINS**  
**FILES: VERSTEEG1.MP3 & VERSTEEG2.MP3**  
**TRADER & FUND MANAGER: TRADING SOFTWARE**  
**DEVELOPER (PROGNOSIS NL) HOLLAND**  
**BORN: 1958 YEARS IN THE MARKET: 21**  
**METHOD OF TRADING: TECHNICAL**  
**MAIN INSTRUMENTS: FUTURES**

THE QUIET, RUGGED, LOGICAL AND PROFESSIONAL PASSION WITH WHICH VERSTEEG PURSUES HIS TRADE ARE CLUES TO THE PERSONALITY AND THINKING REQUIRED TO BECOME SUCCESSFUL IN MODERN MARKETS. THE MAN BEHIND ELWAVE, AN ADVANCED ELLIOTT WAVE PACKAGE DEVELOPED BY VERSTEEG WHEN HE FOUND WHAT WAS AVAILABLE WAS NOT SUFFICIENT FOR HIS ANALYSIS REQUIREMENTS, VERSTEEG DESCRIBES EVERYTHING FROM WHAT IT TAKES TO MAKE IT AS A TRADER TO THE DIFFERENCES BETWEEN HIS AND OTHER WAYS OF LOOKING AT ELLIOTT WAVE.



**33. MOHAMMED WAHID (NAME CHANGED) 1/2 HR**

**FILES: WAHID1.MP3**

**PRIVATE TRADER: UK**

**BORN: 1979 YEARS IN THE MARKET: 2**

**METHOD OF TRADING: TECHNICAL**

**MAIN INSTRUMENTS: FUTURES**

ALTHOUGH MR WAHID HAS NOT EXPERIENCED A GREAT DEAL ON THE TRADING FRONT, HE HAS INTERESTING INSIGHTS INTO WHY MANY PEOPLE START AND DON'T NECESSARILY CARRY ON. HE IS ALSO A STUDENT OF ISLAMIC STUDIES AND DETAILS WHAT TYPES OF TRADING ARE ACCEPTABLE UNDER ISLAMIC LAW.

**34. WILLEM VAN DER VORM 1HR**

**FILES: WILLEM1.MP3 & WILLEM2.MP3**

**PRIAVATE & LEGENDARY FLOOR TRADER OF THE FTSE PIT ON LIFFE (LONDON INTERNATIONAL FINANCIAL FUTURES EXCHANGE)**

**BORN: 1964 YEARS IN THE MARKET: 18**

**METHOD OF TRADING: TECHNICAL**

**MAIN INSTRUMENTS: FUTURES**

THERE WAS A PERIOD IN THE NINETEEN NINETIES THAT WILLEM WAS NOT MERELY A TRADER IN THE FTSE PIT - HE WAS THE FTSE PIT.

KNOWN BY OTHER TRADERS ON LIFFE SIMPLY AS "WILLEM", HE WAS A LEGEND IN HIS OWN TIME DOWN ON THE LIFFE FLOOR. FROM THE WAY HE USED TO RUN THE FTSE UP AND DOWN TO THE METHODS HE USES TO TRADE NOW, VAN DER VORM PROVIDES A FASCINATING ACCOUNT OF A MAN WHO HAS SUCCESSFULLY ADAPTED FROM LEGENDARY FLOOR TRADER TO SCREEN TRADER. HE DESCRIBES THE METHODS HE USES AND HOW HE AND HIS TRADING HAVE CHANGED OVER TIME.

HEAR HIM TELL HIS OWN AMAZING STORY.

# Local knowledge wins

**Willem Van der Vorm used to be king of the FTSE pit at LIFFE. Larry Levy caught up with him to learn some tricks of the trade**

**I**n the 1990s, one man's name preceded him when it came to trading the FTSE 100 futures: Willem. Stories abound about this legendary trader – strong and tall, dark, handsome, Dutch and ever so smart – who came to rule the FTSE pit on LIFFE (London International Financial Futures Exchange).

Born Willem Van der Vorm (LIFFE floor jacket initials VOM) in Rotterdam in August 1964, he attended boarding school in North Wales after which he studied at the LSE. In 1987, Willem landed his first job, in the back office of New Japan Securities in Fenchurch Street. Six months later, he began trading for the firm in the JGB (Japanese Government Bonds) pit and knew at once that this was his kind of place.

After a further six months, Willem, now 24, went independent and became a 'local' – trading for his own account in the volatile FTSE futures pit. On day two he managed to lose fully half his capital of £30,000 by selling into the news of the Goldsmith/Kerry Packer takeover bid for BAT Industries. He vividly recalls learning from this experience the truism that there is 'no disrespecting the market'.

From then on he was 'trading small and just trying to build up the account slowly'. By 1992, Willem had gradually come to dominate the FTSE pit and in the process he developed a considerable following among some floor traders. Some simply coat-tailed his trades and these locals became known as 'The Willettes'.

## Local techniques

'You can't really manipulate the market because it's always right. But I used to be able to feel which way the market was headed and then take advantage of it that way,' he says.

One way in which this technique could be executed was to 'run the stops'. The FTSE experiences long periods of relative inactivity with many newbie traders sitting at home, attempting to predict the next move using a variety of intraday technical analysis packages. This combination proved fertile ground for hungry locals looking to 'take out the \*\*\*\*\* stops' – as they used to put it. (Willem estimates that over the years, he was subject to fines totalling around £25,000 by the Blue

Coats on LIFFE for swearing and he was tossed out once or twice for fighting in the pit.) This is how it worked:

Most small, intraday traders will invariably set a tight stop-loss on their trades – say between three and 30 points. The selling dies down and the market may have even come off a few points, leaving the locals long and the public short. The locals are well aware that if the market can move up, say 10 to 30 points, those punters will, on the whole, have hit their stops, causing them to buy back at a loss – and a profit to the locals who went long on the back of the public selling.

Traders in the pit who are endowed with the capital and, as importantly, the nose to sense the low turning point will now start to buy. Other locals, witnessing the lead trader buying, start to buy as well. The upward momentum begins to accelerate, the locals start to lock in profit as the stop loss points are hit... and so the cycle continues.

## From floor to screen

In 1998, the FTSE changed its value per tick down from £25 to £10 per point. This was the trigger for Willem and many other locals to leave the floor and screen-trade electronically. The new electronic German DAX contract at DM100 (around £37) per point offered him the size and volatility that the FTSE lacked.

Then in 2000, the doors at LIFFE's Cannon Bridge floor closed for the last time, bringing to an end the feverish culture in which Van der Vorm had starred.

A number of the LIFFE locals he used to know have been reborn as highly successful screen traders while others have assumed new careers as taxi drivers, estate agents,



Willem Van der Vorm, legendary floor trader

'You can't really manipulate the market because it's always right. But I used to be able to feel which way the market was headed and then take advantage of it that way.'

milkmen and flower sellers, among other things.

## Older and wiser

Though now older, more cautious and trading in smaller sizes than in his adrenaline-driven days down on LIFFE, Willem has adapted well to screen trading and wouldn't choose to go back. Rather than being a technical trader *per se*, he prefers to observe how the market reacts to various stimuli and scrutinises it for patterns. Willem doesn't use mechanical stops like many other traders: he just gets out when he's 'wrong'.

Being screen-based allows a trader geographical flexibility. Willem spends his time these days between Monaco, the South of France and the UK, where his four children live. He loves volatility and trades mainly on the DAX, but also indulges the FTSE, S&P and more recently NYMEX Crude Oil and Natural Gas. Having reached a comfortable level of wealth, he now enjoys a comfortable lifestyle, though he hasn't lost the common touch and on occasion you'll find Willem on EasyJet along with the rest of us. ■

EXTRACTS TAKEN FROM INTERVIEW ON TRADERSPEAK CD

**35. DAVID BURTON 1 HR**  
**FILE: BURTON1.MP3**  
**GANN TEACHER & PRIVATE TRADER: AUSTRALIA**  
**BORN: 1957 YEARS IN THE MARKET: 22**  
**METHOD OF TRADING: TECHNICAL**

**DAVID IS NOT AN INTRADAY TRADER. WHY SHOULD HE BE WHEN MARKET MOVES CAN BE PREDICTED YEARS IN ADVANCE?**

**BORN IN NEW ZEALAND, DAVID QUALIFIED AS A FITTER FOR THE NEW ZEALAND ELECTRICITY BOARD BEFORE MOVING TO AUSTRALIA IN 1978 TO WORK ON THE MINES. IN 1983 HE BRIEFLY BECAME A FUTURES BROKER AND AT THE SAME TIME DISCOVERED THE WORKS OF W.D.GANN, A MARKET ANALYST FROM THE FIRST HALF OF THE TWENTIETH CENTURY. SINCE HIS STINT AS A BROKER HE HAS BEEN PRIVATELY TRADING HIS OWN ACCOUNT. HAVING SPENT YEARS STUDYING GANN AND DECODING ITS HIDDEN MEANINGS, BURTON IS ABLE TO PREDICT FUTURE MARKET MOVEMENTS.**

**USING GANN TECHNIQUES, HE WAS ABLE TO, FOR EXAMPLE PREDICT THE MOVES IN COTTON IN THE MID 1990's, TURNING \$500 INTO \$300,000 USING TRADED OPTIONS. DAVID IS NOT SOMEONE WHO MINCES HIS WORDS AND ANSWERS TO QUESTIONS ARE OFTEN DIRECT, SUCCINCT AND TO THE POINT.**

**A NUMBER OF HIS BASIC APPROACHES ARE REVEALED, AS WELL AS CLUES TO FURTHER RESEARCH. FOR EXAMPLE, HE HAS DISCOVERED A HIDDEN CODE IN GANN'S BOOK, TUNNEL THROUGH THE AIR.**