

Trading Your Own System

The Importance of **Self** in **Self**-Employed



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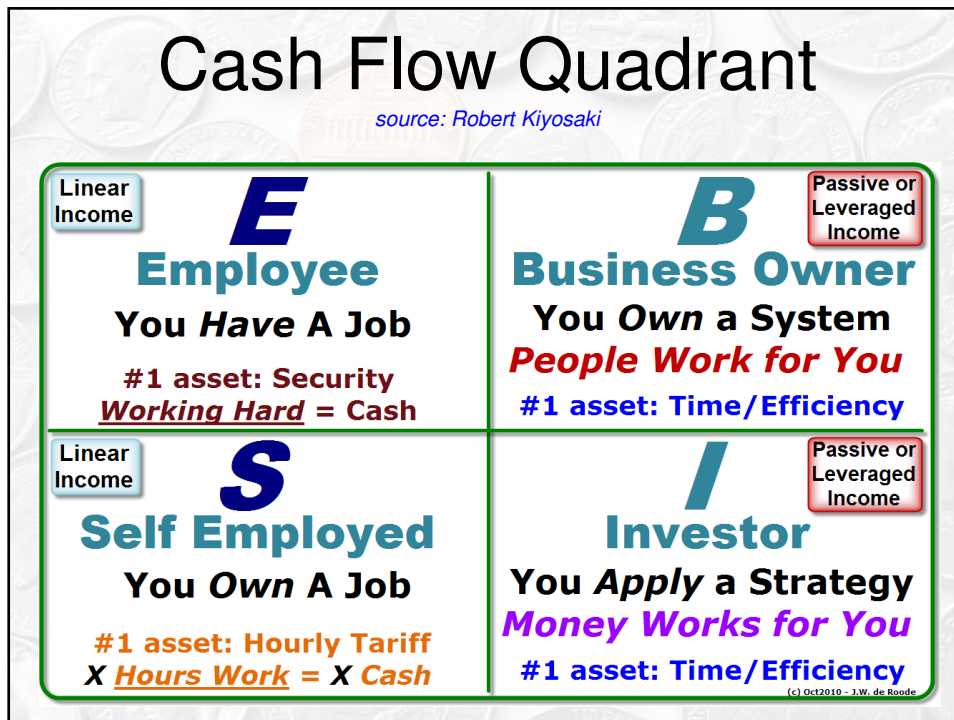
Explore, Create, Shape, Execute, Review, Celebrate

Introduction & Background

- Dutch, living in Holland Wife & 2 Children 1 y/o & 3 y/o
- Chemical Engineering *MSc*
- Marketing and Financial education
- Financial and Executive Life Coach (Masterful degree)
- 1st Job (last job): Risk assessment “new Offers”, Incubator
- Since 2001 Self-Employed / Entrepreneur
- Startups Coaching: *Mental (mind set), Performance, Financial, Marketing*
- Corporate: Coaching, Project Management & Consultancy
- 2005 Start Options & Stocks trading
- 2008 Attended classes with Dr. A. Elder and K. Lovvorn for Mentoring
- 2009 Stopped Contracting, became full time stocks day Trader
- 2010 Adding Forex trading to the tool box

Cash Flow Quadrant

source: Robert Kiyosaki

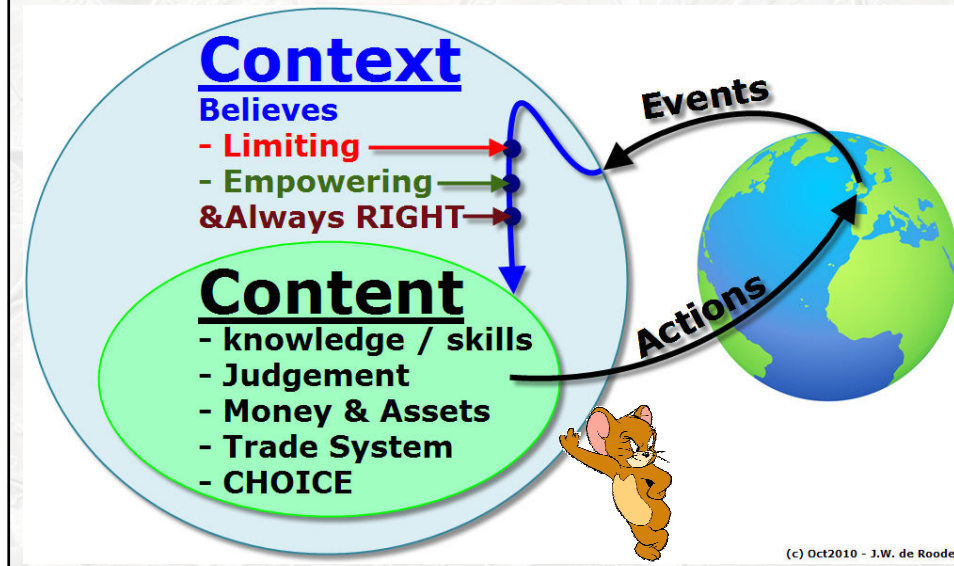


Traders vs Employee Mindset

*Traders live in the results economy,
we get paid not for time spent doing something
but for results and results only.*

*For employee's time spent doing "something" is
the measuring stick they are familiar with.*

Foundation: The Mind Set

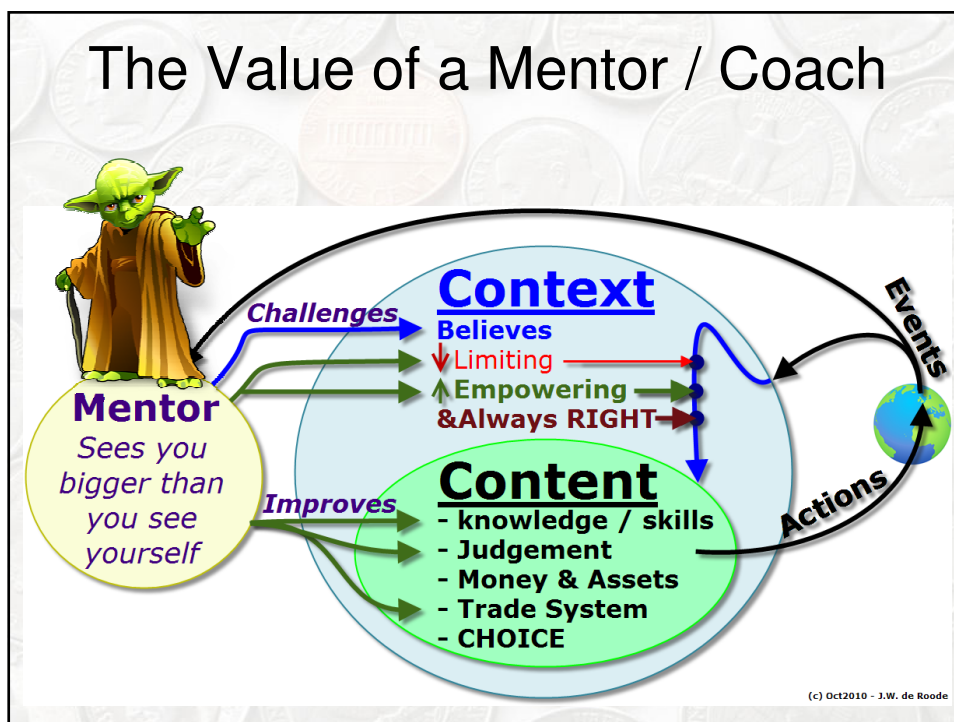


Challenge your believes **Face Up!**



- Make results measurable
- Feelings ≠ Results
- Reasons ≠ Results
- Find a mentor/coach/friend for feedback
- Take 100% Ownership: Actions & Results
- PRACTICE!!!!

The Value of a Mentor / Coach



Practice Creates Excellence!

In every profession or sport we practice!
why would trading be *any* different?



Practice = Simulated Trading

- Is *not* automated back testing
- It's bar by bar replaying the history
- Or even tick by tick replaying the charts



Free Simulated Trading Software

- Stocks, Futures, FX: NinjaTrader
- Forex: MetaTrader 4 (look for simulator plug-in)

Commercial Products

Forex Tester 2 (\$150)

(Buy it at www.forexsmarttools.com for \$135)

ForexTester & NinjaTrader Stats

Forex Tester 2

Time:	
Days left	30
Months left	1.00
Trades:	
Total trades	33
Profit trades	26
Loss trades	7
Trades/day	1.10
Trades/month	33
Profit trades/month	26
Loss trades/month	7
Max profit trade	527.75
Max loss trade	448.71
Income:	
Net profit	4238.28
Gross profit	5629.67
Gross loss	1391.39
Profit/month	4238.28
Average profit	216.53
Average loss	198.77
Max drawdown	897.16
Profit factor	4.05
Return, %	42.38
Other statistics:	

Balance Equity



NinjaTrader 7

Start Date	1/2/2007
End Date	3/6/2007
Total # of Trades	570
Percent Profitable	46.14%
# of Winning Trades	263
# of Losing Trades	307
Average Trade	0.01%
Average Winning Trade	0.10%
Average Losing Trade	-0.08%
Ratio avg. Win / avg. Loss	1.34
Max. consec. Winners	11
Max. consec. Losers	12
Largest Winning Trade	3.39%
Largest Losing Trade	-0.46%
# of Trades per Day	8.84
Avg. Time in Market	100.0 min
Avg. Bars in Trade	18.7
Profit per Month	1.60%
Max. Time to Recover	32.58 days
Average MAE	0.08%
Average MFE	0.12%



Your Business Plan



- Inspiring Vision & Mission
- Road Map
- Strategy
 - Resources & Markets
 - SWOT on the Trader
 - Performance Monitoring & Self Learning
- Feasibility Study
- Appendix
 - Collection of your Trade Strategies

Inspiring Vision & Mission

Vision = Your ultimate inspiring personal goal

Example:

Being a consistent Trader, having a trading style that matches my personality and life style, to support my family to live where ever we would like to.

Mission = What is it I do with passion?

Example:

Exploring and practice different markets and trading strategies in the pursuit of discovering what suits my personality and what not.

Road Map

Financial independence goal?

- Amount of £ needed per year, month, week
- Can you decrease costs of living?
- Realistic and cautiously growth estimate

Learning Road map now and in the future

- Educational goals (Books / Seminars)

Strategy: Resources

Cash

- Available savings
- Current cash flow

Time

- Hours available per day?
- At what time of the day available?

Location

- Where?

Markets

- What instruments & which time frame(s)

SWOT on the Trader

- Your **S**trengths
Creative, resourceful, passionate, ...
- Your **W**eaknesses
Emotional, easy distracted, ...
- Your **O**pportunities
Fund raising, job opportunities at hedge fund, ...
- Your **T**hreats
Hardware failure, unhealthy life style, ...

SWOT Analysis

- Strengths Utilization
How to apply it to reach your goals faster?
- Weaknesses elimination strategy
*Checklists, strict rules, Spare laptop,
Use rule: Only after exercise you can trade
Use rule: Impulsive trade = donation to a horror*

GAP Analysis

Learn to trade and embracing the risk and the strategy by manual back testing and shaping the strategy to fit my personality

Performance Monitoring and Self Learning

Show me a trader with good record keeping and I show you a winner!

Dr. A. Elder

Trade Log with Equity Curve

Date, Entry, Exit, P/L, Strategy

Trading Log Wessel de Roode																												
6-Mar-2009																												
#	Entry												Initial Stop	Initial Risk	Curr. Stop	Open Risk	Exit					Results		Grades				
	#	Entry Date	T	L/S	Ticker	Source	Person	Size	Price	Comm	Total	Exit Date					Price	Com	Total	P/L	Pnt	Chn	Entry	Exit	Trade	Ovrl		
43	16-Jan-09	St	S	DRLY				400	\$28.33	\$1.50	\$12.967	\$28.48	\$45.50			16-Jan-09	\$28.48	\$1.50	\$12.915	-\$52.00	0.11		46%	42%				
44	16-Jan-09	St	S	BK				400	\$22.30	\$2.00	-\$8.918	\$22.18	\$56.00			16-Jan-09	\$22.18	\$2.00	-\$8.866	\$52.00	0.14		10%	98%				
45	16-Jan-09	St	S	DRLY				150	\$28.32	\$1.00	-\$4.247	\$28.51	\$28.50			16-Jan-09	\$28.54	\$2.00	-\$4.283	-\$36.00	0.22		25%	52%				

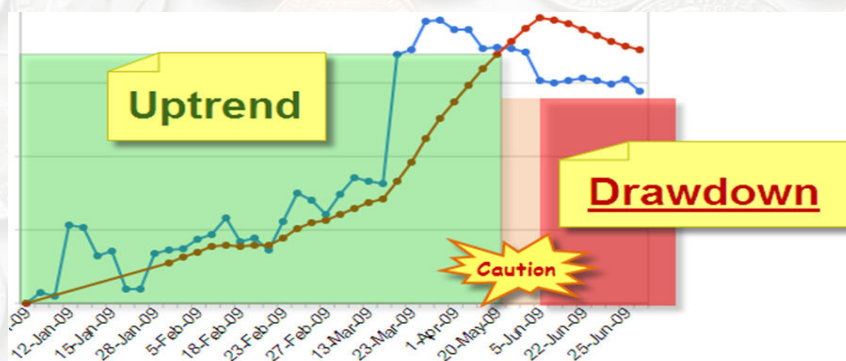
Trade Diary

Screen shot with comments about "entry" and "exit" rules applied

Equity Curve Feedback



Equity Curve Risk Control



Blue line is the raw daily Equity curve based on the Profit and Loss. It is not the total trading capital.
Red Line is a 10 day moving average of the blue dots

Green Area

A Healthy Equity curve

Caution Area

Blue Crossed the red line,

Action 1: Risk is reduced to 75% of normal operational risk. New risk is now 2%(normal risk) X 75%= Maximum of 1.5% risk per trade

Action 2: Take a day off from trading and immediately review journal for clue's

Drawdown

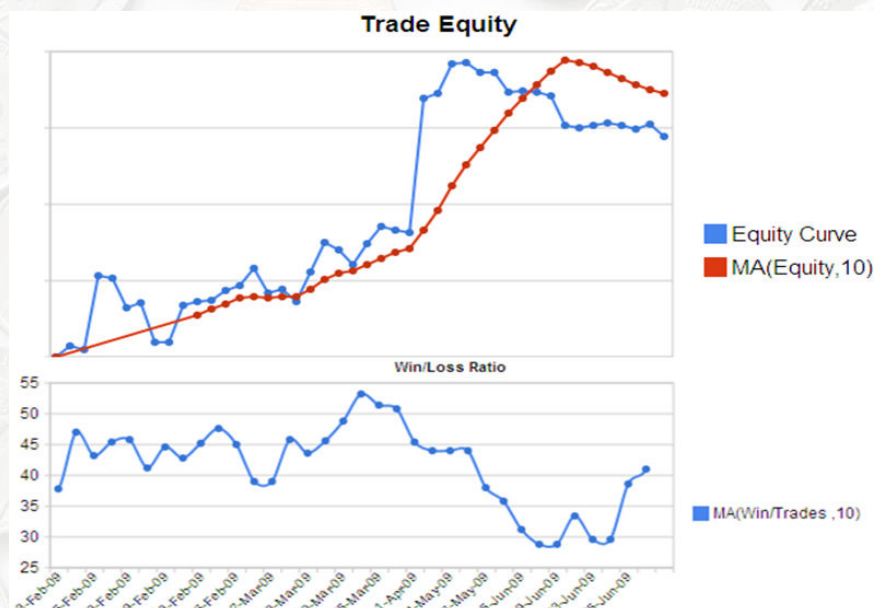
The red MA turned down while the blue is still below the red line.

Action 1: Risk is reduced to 50% to protect capital. New risk is now 2%(normal risk) X 50%= Maximum of 1% risk per trade

Action 2: Schedule appointment with trading coach or other trader to review trades

Action 3: Review trades and also investigate if this market condition works with the strategies used

Equity Curve Warning





Feasibility Study

Manual back test or demo your Strategy.
minimum 200 trades will give 90% certainty

Collect statistics:

- Average win per trade
- Number of trades generated per month
- Consecutive losses

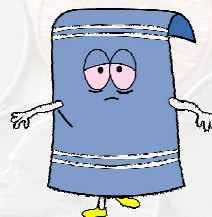
Now we can estimate the:

- # lots for our financial goal per month
- Size trade account

The Appendix Contains:

Write down all your strategies and idea's in detail as a trade plan. Active, inactive and new ones:

- Entry rules + example pictures
- Exit rules + example pictures
- Premature exit rules + example pictures
- Back test results (Avg win, drawdown)



Summary Part I

- Always log your trades for review so you can learn from them
- Have at least a written copy of your trade strategy next to your screen
- Have an inspiring written Business plan.
- Review your Trades & Business plan regular
- **Always always use good money management,** keep a stop in the market at all times and don't risk more than 2% of your capital.

Questions Part I ?



Explore, Create, Shape, Execute, Review, Celebrate



Basic Trade Strategy

- The Manual, Indicators and FTSE Stock lists are available at the TIC Forum download sec.
- It's a trend following strategy
- Also detects Counter trend situations for the more advanced traders
- It is set up as visual as possible

Long Trend Rules

Long Trend Trade

Weekly Chart

1. 21EMA Trend is Up
2. Price above 21EMA

Daily Chart

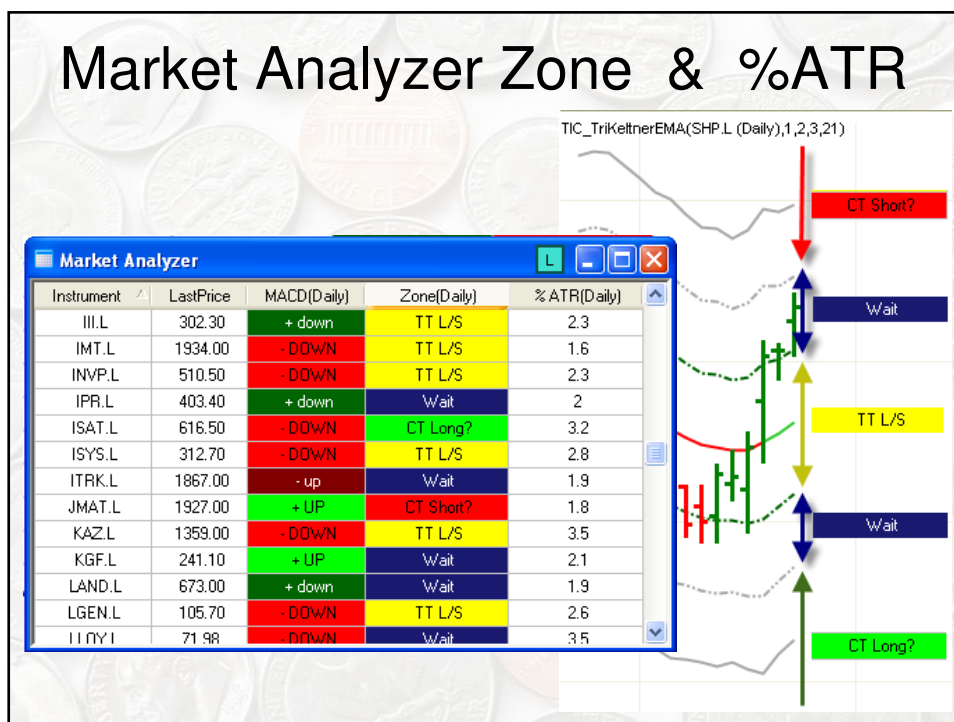
3. Last close between the two green dotted lines
4. MACD Light Green Bars (Agresive MACD ticking up)
5. **NO** MACD Divergence in play
6. Stoploss between the lower green dotted line and the grey dotted line below
7. Entry on a V1 buy trigger or trend moving up again



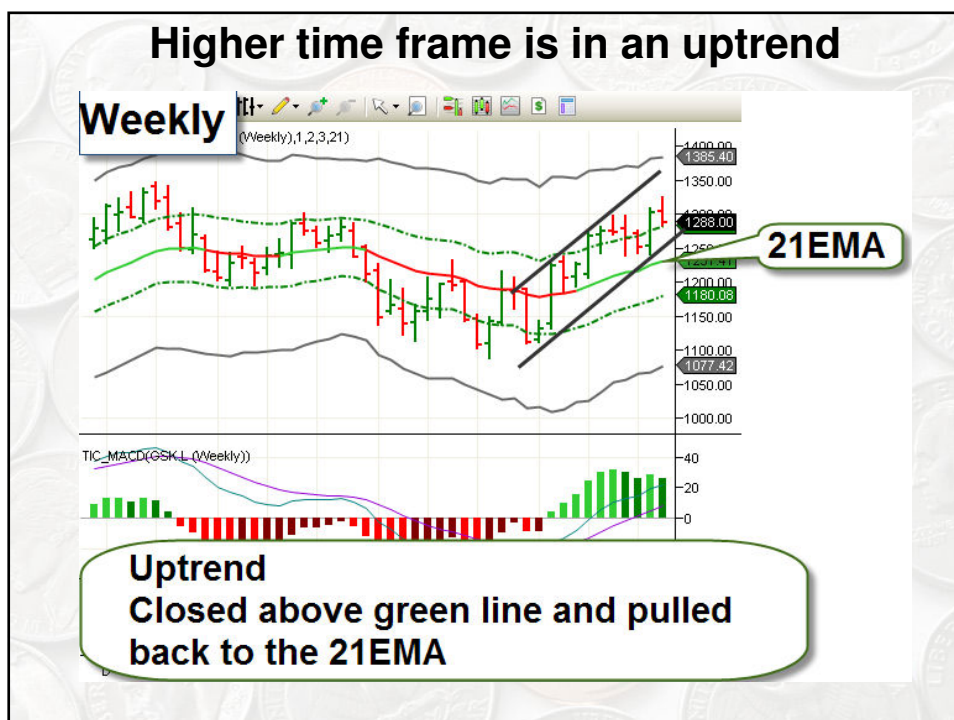
Market Analyzer MACD



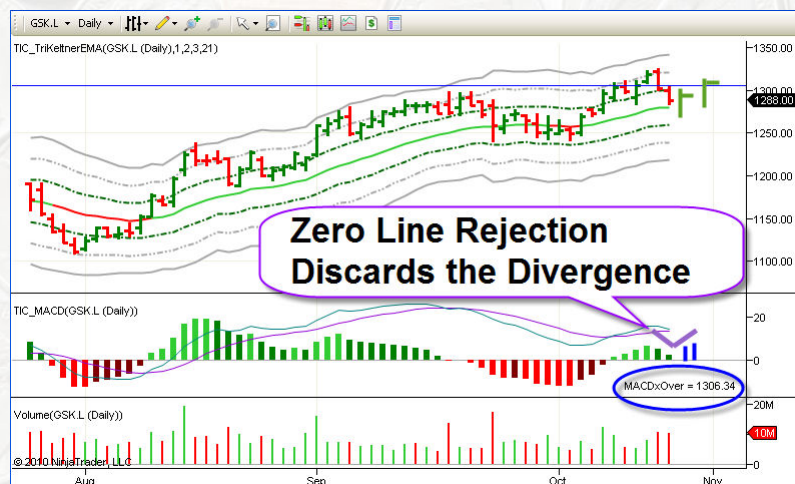
Market Analyzer Zone & %ATR



Higher time frame is in an uptrend



Lower Time frame



Finishing Up

- Complete rules are in the Forum
- Remember this is an example system!
- **Always test it before using real money**

Thank You!



Next coming up: Questions

