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will read the charts to get a feel for whether it works. Instead of backtesting, I do forward-testing. What I do is start with a small amount and live-trade my strategy for a certain time period. The purpose of this is not just to focus on the setup, but to make sure I am mentally prepared for the new strategy.

*Do you find that you have to change your trading methodology as the market changes?*

I have learned to adjust my trading strategy as market conditions change. However, the main principle remains. I am still doing some trend trading. No strategy or system will work forever. We have to adapt to the market conditions and make necessary adjustments. Of course, I am not suggesting we should adjust or change our trading strategies too often. For example, I made some changes to my trading at the end of 2008 when the global financial crisis got heated up and volatility was surging.

*What type of money management strategy do you apply?*

I do not have any sophisticated money management system. Basically, I risk less than 1% of my capital on each trade, and a loss of 5% within a week is a warning signal to me. I used to risk around 2% of my trading equity on a trade during the early years but the longer I traded, the less I would want to lose. Averaging down is an absolute *no* to me.

Other than minimizing my dollar amount losses, I also journal my trades in term of risk/reward ratio, and R-multiples as introduced in Van K. Tharp's book — R-multiples refer to initial risk. I am trying to make risk-reward worthy trades. Risking \$50 for a \$10 gain is not something I am interested in.

