

A Tale Of Two Traders

Two Traders, Two Methods

The idea of daytrading has captured the attention of many market enthusiasts, but it's not an easy path to riches. It takes years to master, a tremendous amount of patience, and consistency in your results. But most important, each trader has a unique methodology that works for him or her. We interviewed Kevin Haygreen and Gavin Mok, both of whom came to daytrading and blogging about it from very different backgrounds, but they have in common a keen interest in the quick pace that the trading style affords. Britain-based Kevin Haygreen (not pictured) is a full-time home-based futures trader, while Gavin Mok lives in Melbourne, Australia, and trades currencies part-time from home. Kevin posts entries about his trades on his blog *EMini S&P Trading* (<http://868347.blogspot.com>), while Gavin writes about his trading at www.tradergav.com.

STOCKS & COMMODITIES Editor Jayanthi Gopalakrishnan interviewed the two daytraders in early April 2009 via email correspondence.

Kevin Haygreen

You can't keep a good man down

Kevin, tell us about yourself. I am 24 and live in Leeds, in the United Kingdom. I'm a full-time trader, and nowadays I trade from home, but I used to be a prop trader. I started off trading European fixed-income markets, mainly the Bund and Schatz, but now I mostly trade the emini Standard & Poor's 500.

How did you get interested in trading?

This is where I sound very cliché. I was always interested in the financial markets, but a few things happened when I was younger that made me look seriously into the idea of being a trader. When I was 16, I was thrown out of home without a penny to my name, and after spending time homeless and living in shelters, I decided that I never wanted to ever be poor again, and to me trading seemed like a way to a better life.

I pulled myself out of that situation by working nights in a supermarket and at McDonald's. I managed to get my own place, and I saved every penny I could. I sat and read everything about trading that I could get my hands on, via books and Internet forums. Once I started to develop a basic understanding of trad-

ing futures, trading started to become a passion for me, but at that point I still had never looked at a live chart.

What do you think helped you gain the confidence to trade your own account?

Time. I went through a phase of being afraid when I was trading. I think this was because I had a lot riding on it. I didn't have any money, couldn't afford to pay the rent or the bills, and the thought of losing money and digging myself into a deeper hole paralyzed my trading. Time was a great healer for me, but this is a personal journey that is different for every trader, and it is a journey that a trader has to complete on his or her own.

How did you learn to trade?

Once I saved up some money and my situation improved, I did some research on what I would actually need to start. Then I got myself some charts and a simulation account. At that point I had just started university and had a student loan and a part-time job. I spent as much time as I could just watching the markets, trying out the various methods that I read about.



Gavin Mok at home.

Trade small and grow your account gradually. Like any other profession, make sure you develop your skills. If you do this, opportunities will come to you.

—Gavin Mok

Focus on being consistent. It doesn't matter what size you are trading. Put in the hard work and the consistency will come.—Kevin Haygreen

At first I made the common mistake of trying to find the trading version of the Holy Grail by overloading my charts with indicators to find the perfect signal. As you can guess, this didn't get me very far. During this time I compiled a list of every prop firm in the UK I could find, and I sent resumes out to every firm. Pretty much all the firms said no thanks, but I just kept sending them more résumés each time they said no.

One day I got a phone call from a firm asking me to go in and see them, so I put on my best suit and went down. They basically said to me that they didn't have any positions as a trainee right then, but they were impressed with my

way I see life is that it doesn't matter what hand you get dealt, you play the cards you have. The only thing that separates the winners and the losers is that one person wanted it more than the other. If you want something bad enough, then you'll get it because you'll do what you have to do to get where you want to be.

For me, I spent a couple of years surviving day by day with only what was in my pocket and eating mashed potatoes every night for dinner so I could pay for my charting and datafeeds, and watch the markets every day. I had moments where I wanted to give up, but I kept going and I learned that for every low there's a high, and eventually it all paid off.

What would be your advice to traders who want to trade their own account?

My advice would be to make sure that they have enough capital to give trading a proper go and be flexible in their

trading, because markets change and you need to be able to turn your hand to different strategies if you want to last as a trader. I get a lot of emails from people saying that they want to aggressively grow their account. Don't fall into that trap. As a new trader, you should just focus on being consistent. It doesn't matter what size you are trading or how much you're making. Put in the hard work, be disciplined, and the consistency will come. Once you have that, then you can start worrying about increasing your size.

There are going to be many lows and many highs while you're learning to trade, but when things get hard, keep your chin up and stick with it because you *will* get there in the end if you put the work in. You can never keep a good man down!

Thank you, Kevin!



Gavin Mok

Confidence comes from consistent trading results

Gavin, tell us a little about yourself.

I was born in Malaysia, attended university, and had my first job in Singapore. I now live in Melbourne. I have a full-time job as a billing systems consultant, and I trade part-time from home after work. My focus is on currency trading.

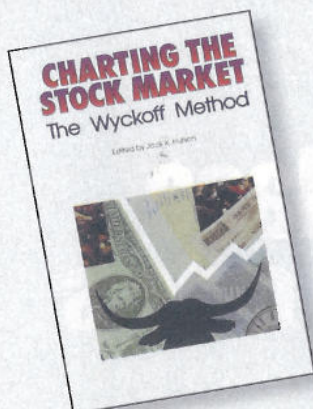
How did you get interested in trading?

I started trading stocks around six years ago. A friend of mine who is now working as a stockbroker recommended a penny stock of a power generator company, Vibropower, that is listed on the Singapore Stock Exchange. With just a \$3,000 investment I was up 60% profit on paper and eventually saw that profit slip down to around 30% after holding onto the stock for about a year. I did not know what I was doing. I sold the stock because my friend told me it was not looking good. At the time I could not read a chart, but I was hooked by the possibility of making good money from the market. Since then, I have put in an enormous amount of time and effort learning both fundamental and technical analysis.

The turning point was when I started trading futures. The very first futures contract I traded was MSCI Singapore Free Index futures (SIMSCI futures). I had pretty good results trading that contract. Though it was not a big fortune, it was good enough for me to move on. Due to my job and migration to Australia, I started shifting my focus into emini trading as well as currency trading. I am now settled and focused on currency trading.

What do you think helped you gain the confidence to trade your own account?

Confidence comes from consistent trading results. I do not have any extraordinarily big winners. Instead, in my records, I have a list of consistent winners. It is these winners that make



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me feel confident in my ability to trade in different market conditions and manage my own account.

How did you learn to trade?

I am pretty much a self-educated trader, and I learned to trade through trial and error in small trading accounts. After spending a few hundred dollars on a breakout trading course during the early years of my trading, which I found to be an absolute waste of money, I learned about the importance of being able to study the market and develop trading strategies on my own. There are two books that gave me a very good head start, John Murphy's *Technical Analysis Of The Financial Markets* and *Trade Your Way To Financial Freedom* by Van K. Tharp. These books gave me a good foundation of technical analysis and risk management. I would highly recommend them to new traders. Occasionally, I also read some trading blogs and websites for new trading ideas.

What is your style of trading?

I am a trend-follower at heart. My trading strategies are built around this principle, whether it is swing trading or daytrading. I always have a methodology in place to define the current trend, and entry is in the direction of the trend. It may sound simple, but there is a lot of hard work behind it.

One of the most important elements of my trading style is dummy trading, which I first read about at MaoXian.com, a blog you reviewed a couple years ago. And after I got started with dummy trading, I have never changed my style. I have built different entry methods around it, be it in futures trading or currency trading. Most of my currency positions are held over hours to a day or two. I do not hold positions over the weekend. That's my rule. On average, I make around two trades per day. Sometimes, I can sit on cash for a few days without a position.

What indicators or patterns do you look at?

Generally, I do not use technical indicators to make my trading decisions. I occasionally explore different indica-

tors. However, I do not find much success doing so. I like to trade pullbacks to join a trend, and I use some classical technical patterns. My favorite technical patterns are triangles — ascending and descending triangles. The reason for trading these patterns is simple: they make a lot of sense to me. I feel blind when trading indicators or patterns that do not make sense. To me, triangles make sense — they are indicating that the market is taking a short break and building strength for the next powerful move. Anticipating the next move is all I do in order to profit from the market.

How do you decide when to enter or exit a position?

Since I am a short-term trader, my positions are always established during the London session. I like to trade in active market conditions. The exact entry point is defined by my set of trading strategies. As I've mentioned, I like trading pullbacks, and most of my

entry points are at key support and resistance levels. I always trade with stops. The most challenging part for me is managing profitable positions. There are times when I beat myself up for exiting a position too early, or giving back too much profit.

Do you implement an automated or discretionary system in your trading?


Currently, I am actively trading my discretionary strategy. I am also working on my automated system. I love doing some programming work and allowing the machine to generate some alerts. I find this to be especially helpful for my daytrading. However, to me, automated trading is still an experiment. I do not see it replacing my discretionary trading anytime soon.

When you design a system, do you backtest it often?

I do not backtest it in the traditional way. When I first design a strategy, I

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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.

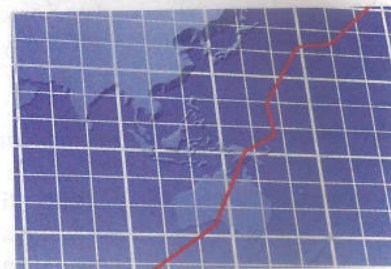
Do you find that you have to change your trading methodology as the market changes?

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.



Can you describe your typical trading day?

For daytrading, my typical day starts in the evening [Melbourne, Australia time]. This is the morning session of the European markets. I spend around an hour to prepare my premarket journal. The journal consists of chart analysis of the euro, the US dollar, and British pound. I note the key technical levels, trend direction, upcoming important economy reports, and my own thoughts and expectations of today's session. The journal will always be displayed on one of my trading screens to remind me of what I am supposed to focus on for the trading day.

I prepare my swing trades during Sunday evening, and review them after I am done with my daytrading during weekdays. I hardly work on Saturday. That's the time for me to spend with my family.

What do you like most about trading? What do you like least?

I like trading because I see it as a thinking game. You need to constantly analyze and plan your next step. Just like everything in life, I like to plan my next trading move. However, things will not always go your way, but that is part of the game. And conquering the unexpected is what I find fun.

What I like least is keeping the numbers! Keeping a trading log is the most boring job in this business. But it is also the most important task so you really do not want to be lazy about it. It has to be done.

What led to your decision to start a trading blog?

It was around 2006 when I first started blogging. Initially, I used the blog to keep my trading preparations. I would analyze charts at home and post them on the blog. I can access my blog from my office. Since then, I have revamped the blog to become my trading journal. I posted my opinions about those trades I made because I thought that might be useful for my readers. I do this to keep myself disciplined and accountable for my trading as well as open up topics for discussion with readers. Over the years,

I have gotten acquainted with quite a number of traders online, and we have exchanged ideas and market views. I have found this to be very valuable.

What do you think has contributed to your success as a trader?

I would not claim to be a successful trader. I am still in the early stages of this business, even though I have been trading for years. I started to see consistency in my trading, and feeling comfortable developing my own views and approaches to market. There is a lot of effort and hard work in becoming a profitable trader. It does not happen in one day. I have passed the beginner phase and am now working on improving myself, and I hope to do it as a full-time profession.

What would be your advice to traders who want to trade their own account?

Instead of giving advice, it would be better if I share my experience with

you: Trade small and grow your account gradually. Never rush to start. Get a lot of practice and sharpen your skills. Like any other profession, make sure you develop your skills and are able to work independently. If you do this, opportunities will come to you.

Thank you, Gavin!

SUGGESTED READING

Murphy, John J. [1999]. *Technical Analysis Of The Financial Markets*, New York Institute of Finance.

Penn, David [2007]. "MaoXian.com," Websites for Traders, *Technical Analysis of Stocks & Commodities*, Volume 25: February.

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