

How To Become An Experienced Online Trader

It is sad to say that a trader has to experience losing in order to know what pitfalls to avoid.

Setting up a Stop Loss on each trade ensures that you do not lose much. Enhancing a Stop Loss with an Auto Trailing Stop makes it even better since a Stop that is trailed may end up a win.

Using a software application which stops trading upon reaching a user-defined maximum loss and maximum win for the day is much better for you. Even more so if the software offers profit management whereby your wins can be trailed up. Such software can save you a lot of money each day.

1. Always have complete knowledge of how to use the trading software

you use to trade. Doing so will help you gain time, secure the exit of your trades and allow you to win more and lose less. StrategyBot has plenty of features that make it stand out among its competition. See our article in the January 2005 issue for more about its features. Other trading applications available in the market may offer less features, but it is better to learn how to use these applications before trading real money.

2. **Undergo training** before you actually start trading. This is an absolute necessity. StrategyLand Research offers one hour free training per user in our office. If you require more, we charge a fee of US\$995 for two to three days of training. We also provide a free, live Trading Game that is valid for 30 days, which traders can play to gain experience without having to deposit or risk any money.

3. **Use Technical Analysis** as a guide (or second opinion) to enhance your investment and trading decisions. This is mandatory. Without this help, trading becomes purely speculative, and consequently, too risky.

4. **Be aware that Futures Contracts are seasonal.** Some are effective for one month, others two or three months. Therefore, you cannot leave positions open forever. Whenever you see a new Contract (new month) show up on your StrategyBot screen, you will have to close your positions and reopen them in the new month.

5. **Know your trading terms.** Books on these are available in libraries. We also offer some information on our website.

6. **Get up to speed on financial news** by watching TV or reading newspapers and magazines. The news usually indicates the present behaviour of the economy. News about the economy, in turn, affects markets' fluctuations.

7. **Get reports from experts** on a daily basis if possible.

a. www.forex-strategy.com b. www.fxstreet.com c. www.zacks.com

The above are some websites you can visit for expert advice on trade issues. Participate frequently in online trade discussions, or, if you have not traded for some time, obtain and review recent published reports.

8. **Review historical data** of the Contracts you wish to trade. This will give you some indication of the past Highs and Lows for each Contract. This will become valuable data for your current trades.

9. **Learn the behaviour (pattern) of the Contracts** you wish to trade. Some Contracts swing more than they trend. Many Contracts might move in the same direction daily but carry different point values, so test the market first with a Contract that has a low point value so as to lessen the risk.

10. Know what influences the trading market

Professional Traders get major information from published data reporting the status

of the world economy. Since the US market is an important part of the latter, some of this data can give clues as to the future direction of trading markets worldwide. The economy is periodically measured based on a number of different financial factors, some of which are listed below:

- **Size and Growth:** A country's economy, or the output of its goods and services, is measured by a number of factors. There is its "GNP" (Gross National Product) and "GDP" (Gross Domestic Product), its "Industrial Production" (which is published as a monthly report), its "Consumption" (another periodic indicator), as well as its "Consumer Confidence". Trade figures show the Net Exports of the country's goods and therefore also relate to the health of the local economy.



- **Inflation:** This is reflected in the "Consumer Price Index".
- **Unemployment:** Employment rates published monthly greatly affect the market.
- **Currency:** This refers to the value of the country's money against major traded currencies.
- **Balance of Payments:** This stems from supply and demand, or exports versus imports.
- **Interest Rates:** Trading markets watch the "Fed funds rate".
- **Budget:** Also known as government spending.

At the time each of the above is published, markets react and move up or down immediately depending on whether the results were expected, and not whether they were bad. This is fairly similar to what happens in equity trading. A company may report better earnings but its stock might go down because the earnings were not as high as expected! Vice versa, a company may report poor earnings but its stock may not decrease because the poor earnings were expected. Welcome to the speculative world of trading!

11. Equip yourself with many computer screens

Assuming that the software application you use allows you to watch multiple screens, as both StrategyBot from version 2.2 and Trade2Cash do, take advantage of this as follows. In the example below the user is running these two software applications. Both are offered for lease or sale by StrategyLand Research.

- Have one screen watch StrategyBot, placing orders on it.
- Have another screen display personal items (E.g. e-mail, news, websites that show market states worldwide, or our "Console" program).
- Have one screen each per Contract you are currently trading. For example, if you have four Contracts, then you should have four screens, each screen dedicated to one Contract and its market movements. T2C allows four screens for historical charting and four for intra-day charting. StrategyBot is unlimited with any number of historical and intraday.
- One regular computer can display a total of up to 10 screens. You can achieve this with the right number of PCI and display cards.
- The optimal number of screens is 14, allowing you to watch 12 Contracts simultaneously. But you may need more than one computer to do this. Each computer you set up does not need to be of very fast speed, nor have huge memory or large disk space. Only the Internet connection needs to be fast.

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