

THE TRADERS LIFE THE MONEY

WITH SIMON BROWN

28 SEPTEMBER 2017





Previously


– Theory
Boot Camp
JustOneLap.com/bootcamp/

– Practical systems
Master Class
JustOneLap.com/masterclass/

**Trading Bootcamp
with IG**



**TRADING
MasterClass**

brought to you by 



The traders life

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Three sessions

- The traders life

Process ~ justonelap.com/traderslife/

Money ~ 28 September

Tools ~ 31 October



The traders life

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- Integrate trading into our lives
- Make it a meaningful source of income
- Ensure it is stress free
- Ensure minimal time required

= Strong systems and process





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Life style

Trading must

- Support us financially
- Free our time so we can do what matters

NOT

- Take hours every day / day trading
- Create stress





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Life style

Freedom from ties that bind

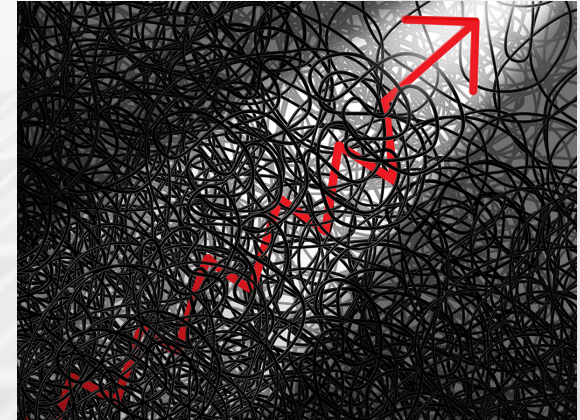




Money matters



- Money messes with our head
 - Losing trades / ignoring stops / etc.
- Not enough money
 - Starting too small = no ability to manage risk
- Trading too large
 - Outsized positions for cash balance
- Panicking when we have draw downs
 - Changing strategy and losing edge



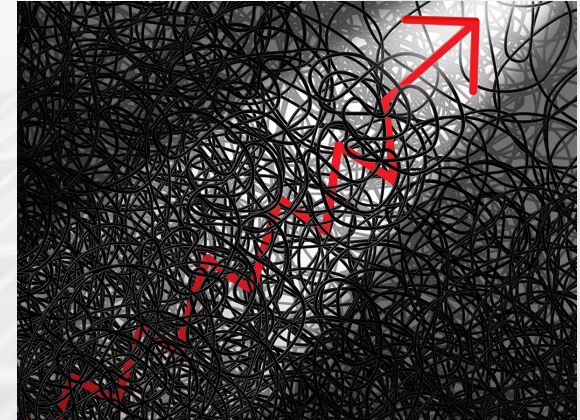


#PerfectTrade

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– #PerfectTrade

- Did you get a signal?
- Did you enter on confirmation?
- Was position size correct?
- Was stop loss set as per system?
- Was trade monitored correctly?
- Did you adjust stop loss correctly?
- Did you exit as per system (stop loss or target)?



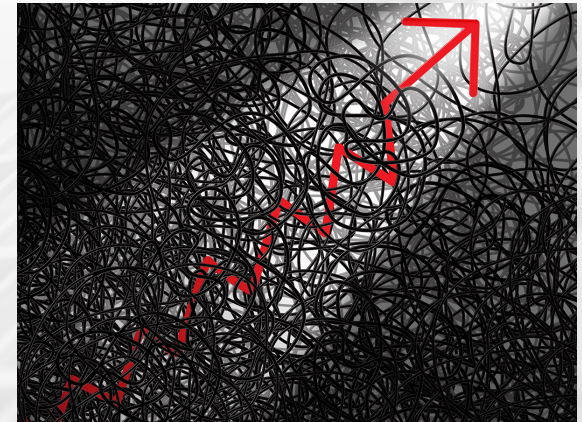


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Money matters

- Trading is a business
- Money is NB in a business





How much capital?



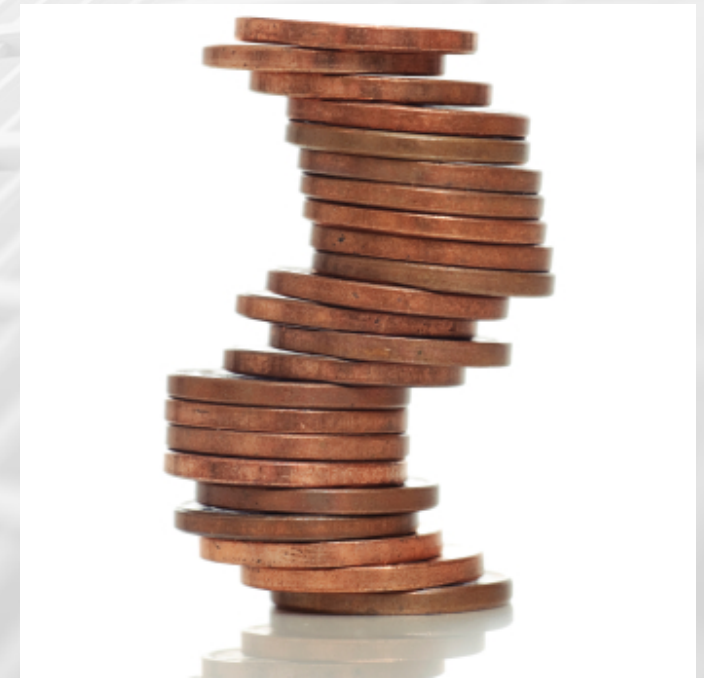
- Annual income required first calculation
 - $R40k / \text{month} = R480k/\text{year}$ (call it $R500k$)
- Have first year of expenses ($R500k$)
- Have trading portfolio that'll generate next years living ($R500k - R1.5m$)

$R1m - R2m$ for $R500k$ living expenses



Return determines how much needed

- 100% return = R1m required
 - R500k trading & R500k living
- 50% return = R1.5m required
 - R1m trading & R500k living
- 33% return = R2m required
 - R1.5m trading & R500k living





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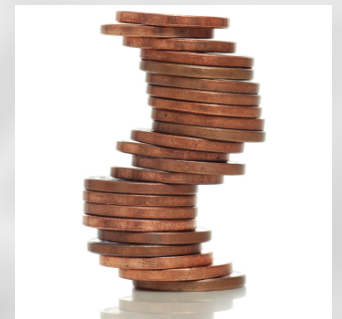
Live off trading

I DON'T have that much ~ now what?

Start small

Work up to the amount

The JSE was not built in a day





How much capital / instrument?

- Stock Indices
- + FTSE 100
- + Wall St.
- + Germany
- + US 500
- + Australia
- + China 300
- + China A50
- + EU Stocks 50
- + France
- + FTSE Mid250
- + Hong Kong
- + Italy
- + Japan
- + Brazil 60
- + Mexico
- + Netherlands

Prices ×				
Market			Period	Sell
▶ Germany 30 Cash (€25)			-	12695.7
▶ Germany Mid-Cap 50 Cash (€5)			Deal Ticket	20
▶ Germany Tech 30 Cash			Order to Open	1.2
▶ Germany 30 (€25)			Market Data	2.0
▶ Germany Mid-Cap 50 (€5)			Chart	86
▶ Germany Tech 30			Compare	2.0
			ProRealTime	
			News	
			Get Info	
			Add to Watchlist	

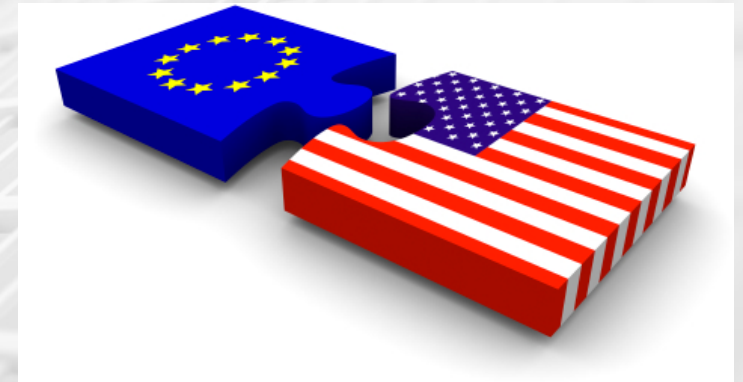
Info ×	
Germany 30 Cash (€25) -	
Dealing	
Minimum Size	1 Contract(s)
Contract Size per point	EUR 25
One Point Means	1 Index Point
Value of One Point	EUR 25 (GBP 21.95)
Margin	0.5%
Minimum Stop Distance	5
Min Guaranteed Stop Distance	5
Slippage Factor	50.0%
Codes	
News Code	.GDAXI
Margin Requirements	



How much to start trading?

– FX EURUSD

- US\$2,000 (mini contract)
 - Contract = €10,000 in value
 - \$1 per point
 - Margin 0.5%





How much to start trading?

– FX GBPEUR

- €2,000 (mini contract)
 - Contract = £10,000 in value
 - €1 per point
 - Margin 1%





How much to start trading?

– Indices

- SA40 ~ R20,000
 - R5k/point, mini contract is R2/point but 2 contracts minimum
 - Margin is 1.5% = +/- R3,000 for R4/point
 - 4,000 point draw down = R4k left in account
 - » 4k points is about 8% of index value





How much to start trading?

– Indices

- Dax (German30) mini ~ £2,500
 - £1 (2 contract min)
 - Margin is 0.5% = +/- £130 @ £2/point
 - 1,000 point draw down = £500 left in account
 - » 1k points is about 8% of index value





How much to start trading?

– Indices

- Dax (German30) mini ~ €5,500
 - €5 per point
 - Margin is 0.5% = +/- €320 @ €5/point
 - 1,000 point draw down = €500 left in account
 - » 1k points is about 8% of index value





How much to start trading?

– Equity CFD ZAR

- R50k minimum to start
 - Enables good risk management
 - » But watch minimum trade costs
 - » 0.2% or R100 on underlying value
 - = ideal underlying value = R100k / trade



Portfolio risk



- You got Dax & SA40
 - Markets are crashing and you're long
 - Everything is correlated, even BTC
- Now what?
 - Watch overall exposure
 - Ideal portfolio gearing = 2.5x-3x
 - » 5x with guaranteed stops and FX / indices??
 - ie: cash = R50k, max exposure = R125k-R150k





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Portfolio risk

– EURUSD

- Cash USD2,000 / exposure USD10,000 = 5x
 - That's high (USD4,000 cash better = 2.5x)

– SA40

- Cash R20,000 / exposure R49,000 = 2.5x
 - Good level





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Portfolio risk

– Dax £

- Cash £2,500 / exposure £25,000 = 10x
 - Very high (£10,000 cash better = 2.5x)

– Dax €

- Cash €5,500 / exposure €63,500 = 12x
 - Very high (€25,000 cash better = 2.5x)





– EURUSD

- Cash USD4,000 = ZAR55,000

– SA40

- Cash R20k

– Dax £

- Cash £10,000 = ZAR180,000

– Dax €

- Cash €25,000 = ZAR400,000





– EURUSD

- Cash USD2,000 = ZAR30,000

– SA40

- Cash R20k (wouldn't change)

– Dax £

- Cash £5,000 = ZAR90,000

– Dax €

- Cash €12,500 = ZAR200,000

**If we adjust
overall portfolio
gearing to 5x
due to lower FX /
index volatility
and guaranteed
stops?**





Return determines how much to generate living requirements

- 100% return = R1m required
 - R500k trading & R500k living
- 50% return = R1.5m required
 - R1m trading & R500k living
- 33% return = R2m required
 - R1.5m trading & R500k living



Draw downs



String of losing trades that decreases capital

- How bad will it be?
 - Do you have data?
- How long will it last?
 - Do you have data?
- How will I respond?
 - Panic and change things?





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Draw downs

String of losing trades that decreases capital

– How big is my stop loss?





Test a system

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Mark Douglas method

Do you have the data?

**Become a pro at
the system
Learn to trust
the system**

- Manually back test at least 20 trades
- Demo trade at least 20 trades in real time
- Trade at least 20 real money but small trades
 - Slowly increase account / trade size



Scaling up



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Scaling up

- Start small until you trust the system and it shows it works
 - Start with SA40 one trading strategy
 - R20k with 2 mini contracts
- Learn your system
- Trust your system
- Test processes





Multiple trade risks



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Trade risks

- Major global indices largely move in sync
 - Especially in short time frames
- So longer time frame
 - Daily
- Guaranteed stop losses
 - In case of crashes
- Add a FX pair





Guaranteed stops



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Guaranteed stops

Hugely useful at small cost

Means we can use higher portfolio risk (5x)

- Can't trail the stop
 - Manually update every new candle (hour/day)
- Makes managing black swan risk a breeze



Costs



Be ruthless ~ this is a business, make it low cost

- Trade costs
 - Make them efficient ~ watch minimums
- Interest earned / paid
- Data / charting
- Information
- Subscriptions





Offshore currency



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Offshore currency

- What currency is your offshore account?
- Make sure it same you trade in
 - Otherwise currency switching costs
- Euro currency base & trade;
 - Dax in Euro
 - GBP/EUR





In conclusion



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In conclusion

- Manage the money and be in control of it
- Know how much
- Know the risks
- Do the math
- Be honest
- Be ruthless



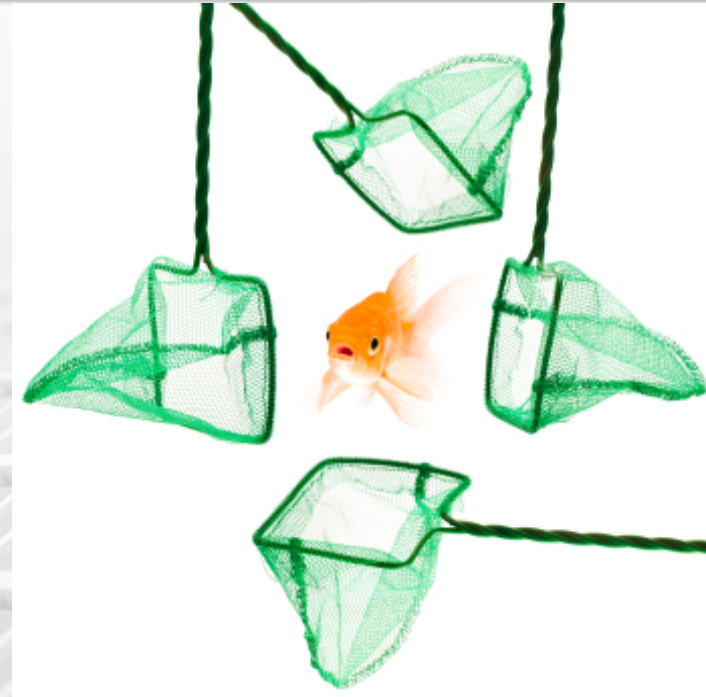


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Home work

- What?
- Why?
- How?
- When?



- » Start testing, trying, tweaking
- » Demo account / system



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In conclusion

- Process
 - Video at justonelap.com/traderslife/
- Money ~ video up tomorrow
- Tools ~ 31 October
 - Book at JustOneLap.com/events/



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