

Technical analysis & day trading

Introduction.

Jason Sen started his career in financial markets in April 1987 at the age of 19 years.

My first job was at a large stock broking company in the city of London called Sheppards and Chase. I arrived on my first day in my brand-new suit and shoes, to their huge shiny offices at Number One, London Bridge. I had no idea what my job would involve and on my first day I was extremely surprised to be taken straight down to the floor of the London stock exchange. Since 'Big Bang' shares were no longer trade on the floor, they were traded from offices over the telephone. Electronic trading was still a thing of the future in those days, but market-makers could advertise their prices on screen on a stock exchange network.



The LTOM on the floor of the London stock exchange in the late 1980's.

The London Traded Options Market was a new market and the only open-outcry market to operate on the floor of the London stock exchange in 1987. The brokers each had a booth with banks of direct telephone lines to their clients. My first job was to process the order tickets that were written

out by the telephone brokers and given to the floor traders. The market was growing extremely rapidly and within a short period of time, I was promoted to a phone broker. The phones did not ring, a light flashed and I had to click the button within a fraction of a second, or the aggressive trader at the other end of the line would scream at me for taking too long. He would bark an order at me, I would repeat it back to him, no 'hello' or 'goodbye', and he would click out. I gave the order tickets to the floor broker to be executed.

It was only a matter of months before I was then promoted again to floor broker. Just as I was getting a bit of confidence, I was about to experience the most frightening time of my life. I had to walk into a 'pit' of loud, confident and aggressive men, all determined to be the first to trade my order for the opportunity to make another large sum of money. I was petrified and I would tremble every time I walked near the pits for weeks.

Then the October crash of 1987 happened and all hell broke loose. There were not enough hours in the day to execute all the orders we were given. It was an incredible experience to witness a week of panic in the financial markets, but by December I had been made redundant as the volume traded collapsed.

I thought that was the end of a very short career in the financial markets, but I was lucky enough to receive a job offer from a Dutch market-making company as a trainee. It was a small, privately funded company, owned by the boss' father, who had sent his son to open an office in London. He was one of the biggest traders on the floor and this was an enormous opportunity for me to learn how to trade options.

In those days there were no training programs, you learned by standing in the pit and making mistakes. Eventually I started to do okay and I got a job offer from another company who wanted me to trade on LIFFE.

The London International Financial Futures Exchange was second only to the Chicago Board of Trade. This was where the real action happened and it made the London traded options market seem tame.



The open-outcry trading floor of LIFFE in the Royal Exchange, the early 1990's.

It was a lot brighter, a lot louder, the traders were far more aggressive and it was a lot more exciting. The colours alone were dazzling.

It was frightening to walk on the trading floor for the first time. Traders were screaming and shouting in each other's faces, waving their hands in a frenzy, and using hand signals to communicate. I had absolutely no idea what was going on, despite the fact that I been working on the trading floor across the road. This was like landing on another planet. It was obvious that I would have to start learning how to trade all over again.

Eventually I learned all the hand signals and passed the exams, so I was ready to go into the option trading pit as one of the market-makers. The LIFFE traders made the LTOM traders seem like very polite City gents. For these guys a big part of the game was intimidation. They did not want any more competition in the pit and they would do everything they could to frighten you away. I was just a timid boy, educated at a private school and I had to completely change who I was in order to survive.

I became aggressive, rude, cocky and every second word that left my mouth was a swear word but this ended up being one of the greatest experiences of my life. I really was in the right place at the right time, in my early 20s in one of the most exciting environments on the planet, with the opportunity to make huge sums of money. The guys in the pit were extremely intelligent, could react in a split-second, they had to fight for every penny they made and there were no computers, charts or calculators. You lived on your wits and your guts. I never even heard of technical analysis for another 5 years!

They were also very sharp-witted and in the quiet periods when we weren't trading, we would have a lot of fun. I loved this testosterone filled environment and I met some fantastic people, many of whom are still some of my closest friends to this day.



The open-outcry trading floor of 'new' LIFFE in the mid 1990's at Cannon Street.

Once the floor closed in the late 1990's the floor traders were forced to learn an entirely new way of trading. Futures went electronic and traders had to learn a new set of skills. Very little we had learnt on the floor translated to this new environment. Many failed, some thrived and a new breed of trader was born.

Initially trading options on screen was no problem - in fact in some ways was easier become all the mental arithmetic required on the floor was performed by your computer. However I eventually decided to move away from options and this was when the trouble started. I immediately lost tens of thousands of pounds of my personal money. However fortunately I stopped and realised I need to re-educate myself & I began on my journey to master technical analysis.