BY JASON SEN OF DAYTRADEIDEAS

DAYTRADING THE MARKETS MY OWN PERSONAL JOURNEY

I began my trading career on the London Traded Options Market (LTOM) in April of 1987 at the tender age of 18. Stock trading had just gone electronic following the so called "Big Bang" and so the only open outcry market on that floor was for traded options.

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Initially, I had been offered a job as a 'Blue Button' clerk at a big stock broker. I was not allowed to trade, but was allowed to answer the phones and take orders. However, the market was growing at such a rapid pace that I was quickly trained as a 'dealer' whereupon I was kitted out with a brightly coloured trading jacket and thrown into the thronging mass that was the futures "pits". It's fair to say that this was probably the most nerve wracking experience of my life!

Entering "the pit" to be confronted by very loud, confident and intimidating market makers shouting prices at me frightened me so much that I would visibly shake. I could hardly speak, let alone make a mental note of who made what price. I would often turn around and walk out without trading. No doubt this amused the market makers no end whose job it was to intimidate you into trading with them so that they could turn a quick profit!

All these years later, even though the trading is now largely all internet based with wonderful new terms like "HFT" (no it's not a disease!), the same type of emotions are no doubt experienced by novice traders when you actually climb into the whirlwind that is the financial markets.

Eventually I grew in confidence, enough to do my job properly at least, and then the 1987 October crash happened! **The stock market fell about 50% in less than a week. It was incredibly exciting and we were so busy that we could not fill every order by the close. We would have a huge back log, but I loved the buzz. I was hooked.**

Following the crash of '87, with business drying up redundancy hit and I lost my job just before Christmas — not an enjoyable experience. I had enjoyed my taste of open out-cry markets and knew I wanted to continue in the City and build a career, but how was I supposed to do this when there were massive redundancies and no one was hiring, least of all someone with barely any experience such as I?

Somehow I got lucky and the successful boss of a privately owned Dutch market making company hired me. **I was trained to make prices in options, trade my own book and take on risk on behalf of the company. Options were still a very new product at this stage so I knew this was a big opportunity for me.**

I studied hard and was very determined, but I did not find it easy to make money. The market started to boom again though and I was offered another job after a couple of years. However, my company were keen to keep me and the result was that I was sent to the London Financial Futures Exchange to trade options there. I knew this was an even bigger opportunity as this is where the real action happened.

I thought LIFFE traders were the true masters of the universe. For anybody who remembers the old LIFFE days, you will know just what a seething mass of testosterone and raw capitalism this was. Walking on to the LIFFE floor for the first time made the LTOM floor look like a library! The buzz just hit you smack in the face. The colour was blinding and the noise was deafening. It was like I had been plugged into the wall. In many respects, notwithstanding some of the dubious tactics that many participants got up to, the loss of LIFFE was a travesty for the City. It was one of the few places where a sharp, streetwise kid from the wrong side of the tracks could legally make themselves a fortune, and quite a number did. Sadly, those days are now gone forever...

The floor of LIFFE was the most exciting place I could imagine, but it was incredibly intimidating. The LTOM was pretty sedate compared to LIFFE where traders were really aggressive, almost physically fighting to be heard and seen as they battled for a share of every trade.

As well as screaming as loud as possible, they used lightening quick hand signals in the pit to communicate and trade. My first step was to learn the hand signals and I thought I was never going to get it. Eventually I did and was sent into the pits to train, first as a broker and then as a market maker to take on risk on my own account. This was the second most nerve wracking experience of my life. It was an intense physical and mental battle every day. **You lived on your wits all day and the trader who could do the maths the quickest did the most trades.** You could not sit down until you left the pit after the market closed, but for me it was the most exciting job I could imagine and if you got it right the rewards were huge. For me I was lucky to be in the right place at the right time and the exchange just took off, volumes grew and opportunities to make money were enormous. These were the most exciting years of my career.

Eventually the floor closed, however, and derivatives trading went electronic. I had gained an interest in technical trading or studying price charts to define trading opportunities for quite a few years having read a lot of books, but I had never really put it all together and been able to structure a strategy from this approach.

After initially losing some of my own money I took a long break and began to study. Eventually I set up a business and began writing daily reports for traders. The discipline of having to study the markets before the open each day and deliver something that made some sense and could help a trader meant I was very focused on developing this skill. I was then offered a job at a private brokerage company to provide my analysis and advise their clients on market direction. These were big clients: traders from Deutchse Bank, JP Morgan, Merrill Lynch, Morgan Stanley, RBS, Societe Generale and many others. These guys do not mess about. If you have something useful to say, they will listen. If you do not, they just do not have time for you and they make that clear.

Eventually they started to follow me and ask for my opinion on trading levels and market direction. I predicted some big moves that traders were not expecting and they played out exactly as I had predicted they would, hitting targets and bouncing from support levels.

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My work got better and better as the months and years went by. **The longer you do something the better you get at it. Or as the saying goes, ‘The harder I work the luckier I get’.**

I left the brokerage company in 2012 and established my own business, DayTradeIdeas.com. My clients from the brokerage company stuck with me and they are all still my clients today, but the list has grown. **I am now the only provider of Technical Analysis to Marex Spektron & Schneider Trading, two of the leading direct market access providers to independent professional traders. I have been providing my analysis to them and Tower Trading Group for about five years now.**

The usual question I am asked is how many indicators and oscillators do I use. Do I follow wave patterns or what is my secret? **I’ll let you into a secret... there is no big secret.** I have watched financial markets move every single day that they have opened since 1987 when I was 18. This is not my job, but it is my addiction. It has to be or I could not get up at 5am every morning for 50 out of every 52 weeks of the year and deliver analysis on up to 30 markets before they open in Europe. I have never failed to deliver on time in five years.

What I can tell you works for me is that I use a minimum of indicators — too many just serve to confuse. The slow stochastic is the only one I really keep an eye on. What I do not do is base a trade solely on this indicator, but throw it into the mix. I look at several different time periods that I find work for the markets that I follow and I scan for chart patterns with support and resistance levels that have worked in the past. I use trend lines and I use Fibonacci levels. My charts are littered with them and I like to spot areas of confluence where they overlap. I keep an eye on moving averages, in particular the 100 & 200 day and week.

I find that starting with longer term charts to gain a picture of that trend and work into shorter time frames is the best way to get the “big picture”. **You have to be aware of what the big banks and funds are looking at as they are the guys who trade the biggest size and can change trends. They don’t bother looking at anything shorter than daily charts, they do not trade hour by hour.** Once you establish the bigger trend and any important trading areas from this time perspective, we can move to daily and shorter time frames.

We all know the saying ‘the trend is your friend’, but which trend? **Each time period can have it’s own trend which all contradict each other. The key is to be aware of the bigger trends but to focus on the time period in which you trade.** If you hold position intraday for a maximum of 3-5 hours and are flat by the end of the day, then watch four hour, one hour and perhaps 30 min charts. But still be aware of what is going on, on the daily and weekly charts.

Once you have established the trend you wish to follow, you know the direction you want to go. You then have to time your entry and the shorter time frames are often better for this purpose. Look for areas of support and resistance that have worked well recently, where the market has paused or changed direction. I like to use Fibonacci retracements and extensions to see if they overlap with these areas to give me more confidence. **The more indicators that line up and confirm what you are seeing, the more other traders are seeing the same thing and may be acting in the markets at these levels. Trick is, like all those years ago on the Pit floors, to compute and react quicker than the next man (or algo!)**

If different time frames are all telling you something different, it is probably time to wait till they line up. If the weekly, daily and shorter term charts all look positive then your risk is diminished. If the slow stochastic is indicating a move higher across the majority of the time frames you follow, for example, it is probably a low risk trade to buy on a pull back to support.

If a previous day’s low coincides with a Fibonacci support level or moving average, then this is probably where you want to try to enter in the direction of the trend. Sit and wait for the market to reach your entry level. Do not chase it or get in before the level is reached. Trading is all about risk verses reward. If you do not minimize risk by waiting for low risk trading opportunities, then you are increasing your potential loss.

Decide on your max risk per trade and ensure this fits with the parameters of the trade opportunity you have spotted. Make sure you can make at least twice as much as you will risk. This way, as long as you are 50% right, you will make money in the long term.

Don’t forget to place a stop just below where the market broke down last time. Once the trade starts to move in the right direction be ready to start to move your stop loss to continually minimize losses. And if all else fails and you find you are not cut out for trading, which sadly applies to the vast majority of people, find a good money manager and give them your money.

Watch this space for a new fund we will be launching with Titan Investment Partners, and if you have an interest in a dedicated shorter term trading fund then email “Daytrade” to info@titanip.co.uk