

Trading Coach Questions

About You and Your Trading

Could you tell us a little about yourself?

I'm both a theoretical and applied mathematician, who is logical probably to a fault. I make my living trading and teaching. I've written 5 books about trading, and am now working on the 6th ("Grading the Gurus"). I love to help new traders succeed. I'm a happy grandmother of three boys, two of whom I have custody. I live in Southern California where the taxes are high and the weather is perfect.

How did you get started trading?

In the early 1970s I joined a small company (3 people) who were programming the first computer graphics software. It later became the basis of Harvard Graphics software. I helped grow the company over 8 years to 105 people and then I sold my stock and retired. I invested my money with money managers, which seemed the prudent thing to do. Within 3 weeks they had lost \$75,000 and within the next 3 weeks another \$50,000, all the while promising me they would make me richer. I decided I could do at least that well by myself and took my money back.

That's when I started reading, beginning with John Murphy's "Technical Analysis of the Futures Markets" as it was then called. I studied, and bought software, and programmed, and tested and began to develop my own theories and methodologies. After a solid 18 months of research (12 hours a day, 7 days a week), I began trading full-time. By 1993 I was rated #1 trader by Stark Research with 365% profit and again in 1994 with 178%. That's about when I began teaching others.

How long have you been trading now?

I've been trading full-time since 1981, part-time before that. That's 33+ years.

What do you like best about trading?

I enjoy making money, first. Second, I prefer the freedom and the lifestyle to working in a corporate setting. I prefer being the boss. And I like knowing I'm pitting my brainpower against the best in the world to try to make a living.

What markets do you trade?

I trade whatever is liquid and moves. (I measure movement with my PHW indicator to find instruments that are tradable). I tend to focus on the EMini S&P, because I've been trading the S&Ps for so long it feels like second nature. But if I find a stock that's undervalued, I'll play with that. And if I see any of the other EMinis in patterns I watch, I'll trade them. I'm not married to any particular instrument.

What style of trading do you use?

Many years ago I developed my own proprietary Dynamic Moving Average, with mathematical equations original to me. I still use that for the basis of all my trading. It's flexible and changes with the velocity of whatever market I apply it to. It doesn't have a fixed length input, but rather calculates its own length based on the market. It does a fantastic job of avoiding whipsaw—all traders' nightmares.

What have been the biggest influences on your development as a trader?

Unbeknownst to him, Jake Bernstein was my first big influence. He wrote a workbook that I got ahold of and learned a lot about modifying the MACD by using ADX as a filter. That got me thinking about developing my own indicators. Then, like most in this business, I've been strongly influenced by Larry Williams, who is the king of the hill.

From there, I would say constant reading and constant study have been the biggest influences on my development. I've read over 800 books about trading now.

What is the one biggest lesson that you have learned since starting trading?

Losses happen. Over and over again. You just have to keep your wins larger and use skilled money management techniques and let the losses take care of themselves.

I've developed my own money management techniques, which I teach in my coaching sessions, that are an extension of Ralph Vince's work, but which is not nearly so risky. I call it Ultimate-F. It does an amazing job of compounding your profits.

About Your Trading Coaching

How did you get interested in coaching other traders?

I found that there are so many charlatans around who tout their methods and yet do not have proven successful methods, that I started trying to "rescue" the "little guys." I worked first within a local TradeStation Users' Group and then branched out from there. It really irritates me to see people who fail at trading and then try to sell their ideas to the unsuspecting public. So, I started by trying to right that wrong. That's why I wrote my first book.

Do you focus on coaching of one particular area of trading, e.g. risk management / psychology or finding trades?

I focus on starting with the very beginning and working up to developing and testing your own ideas and trading strategies. It includes technical analysis, risk management, money management and design and testing of trading systems. I don't work with psychology. My idea of psychology is "Follow the darn system." I like to teach people how to use TradeStation, MultiCharts, Genesis Navigator, TC2000, MetaStock and others. From there I like to teach them what to look for in the markets and how to program it in their software. Then I like to teach how to properly test for robustness and success in the markets.

Most people don't know how to determine whether their ideas will actually work (that is make money) in the markets. And, I find that people don't like to test their ideas and theories because they don't want to know if they fail.

How do you work together with your clients? e.g. phone / email / screen sharing?

I do all of the above, including having them come to my office and learn in person. Most of the time, though, we work online together. I generally use TeamViewer to connect to their computer while we talk on the phone. It's just like being together in person.

What sort of results do your clients get after coaching with you?

That's up to them. If they follow my teachings they will be able to discern and discover successful trading systems. If they take shortcuts and don't do the testing I teach them, they usually end up hopping from system to system and never landing on one that really works. I have many very successful students.

What is the most satisfying part of coaching traders?

Without a doubt it is seeing them succeed. I love it when I get emails back telling me of their successes. I've had so many novices go from mediocre and even successful careers to full-time trading and write to tell me how happy they are to be on their own.

About Your Experience Working with Traders

What is the biggest, but most easily fixed, mistake that you see traders make?

Most of the time it is that they jump from system idea to system idea without proper testing, and they never can really trust a system that isn't proven. So, when it goes into drawdown (which they all do) they leave it because they can't trust it, because it isn't proven. That very quickly leads to failure.

Do you recommend journals or other record keeping as an important part of trading?

Absolutely. It is key to success to know what you were doing right and what you were doing wrong and match it up to successful and failed trades.

What are the most common issues that you see in your clients that prevent them from becoming better traders?

That's right back to the other question. It is not properly testing and proving a system, which leads to lack of trust, which leads to system hopping.

General Advice

What advice would you give traders who are just starting out?

Get a good coach, immediately. Education is not expensive; lack of education is! Find someone who actually trades and can actually make money trading. And, don't skimp on paying for good advice. It's worth what you pay for it.

What 3 books do you recommend traders read?

Mine, of course. Read them in this order: "Getting Started in Trading," "Trading 102—Getting Down to Business," and then "TradeStation Made Easy!"

If I can name one more, it would be John Murphy's "Technical Analysis of the Financial Markets."

Any other advice or wisdom from your experience in trading that you could share?

Read, read, read. As of today I have read over 800 books on trading. I keep learning. But, no matter what new system you read about, test it thoroughly before trading it.

A handwritten signature in black ink, appearing to be 'S. J. D.' with a stylized flourish.