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The lunch time trader

The time that most people waste during their lunch break is now a zone where you can train your trading acumen, and eventually achieve profits that rival your daily pay cheque reveals **WINSTON NG**



One of the greatest benefits of living in Asia is that we are able to set up Forex trades that can capture the main moves of the European and U.S. markets, without having to wake up at unearthly hours. The time that most people waste during their lunch break is now a zone where you can train your trading acumen, and eventually achieve profits that rival your regular pay cheque.

The *lunchtime trader* lifestyle allows working adults to hone their trading skills while employed, and also allows future retirees to enjoy their day while committing only a small amount of time to set up trades.

Viable future alternative income style

When you start out learning to trade, it is important that you trade it in a manner that frees up your daily time. I have seen many new traders work very hard to learn a trading skill, only to give up after six months because it requires too much time and energy. They are not able to

maintain the lifestyle after the initial burst. It is difficult to consistently trade at prime hours, if that is not your passion to begin with. I usually consider prime hours as family time in the evenings.

Similarly, a trading style that requires five to six hours of your day is not much better than working at a job, which gives you the benefits of a career path. Now that you can set up trades during your lunch time, you have additional options of working or not working by building up your investment returns at a quicker pace.

You are in the zone

Lunch time is the time when most people are still buzzing with work efficiency, which means that there is a higher chance you will evaluate your trades quickly and without fuss. One of the biggest problems of new traders is that they tend to stare at the charts too long and convince themselves why bad trades are good. By having the natural limitation of your lunch time hour, you will

compel yourself to search and set up or discard your trades promptly.

Trading less is profitable trading

In setting up our *lunch time trades*, we use a longer time frame candle like the four hour candle. The first thing that might pop into your mind is: "wow, I have to wait four hours before the candle moves?" Yes, and that itself is the perk. Trading at higher timeframes reduces trade volatility and more importantly, requires less maintenance. The trigger points are very committed at these levels, thus only major market moves will sweep through them. These moves are very clear and powerful.

Hence, there will be days where your trades do not get triggered in, because the market movement for that day is minimal. However, this is a good thing, not a lost opportunity. You can avoid losses from unnecessary trades, and trades that require too much maintenance throughout the day. It is impossible and inappropriate for you to be tracking market movements during working hours! *Lunch time* trading keeps you free from checking it till the end of the day.

Forex trading is your income multiplier

The final benefit for picking up the lifestyle of the lunch time trader is that you are rewarded exponentially with experience. Take for example, your first year of trading; you can make an average of \$20 per day. Considering that you only take 15 minutes to set up the trade in your free time, that is a decent return. By your second year of trading, you are now more experienced with the market ebbs and peaks, giving you the confidence to increase your capital. The same 15 minutes you take to set up the trade now rewards you with \$40. Eventually, given adequate time, you will be able to multiply your total income based directly on your understanding of the markets.

A slice of the market

The *lunch time trader* lifestyle is designed for a specific slice of the forex market. It requires little maintenance and has the least noise to trade for a large part of the calendar year.

Jack of all trades, master of none

When a new trader starts out in the markets, the first instinct is to understand everything there is to know about a market. It is important to note that the markets are fluid and each level of trading timeframes has its own peculiar set of rules. Thus, it makes more sense to own and dominate one zone of the market, rather than be a scavenger in five zones. Would you like to own the most profitable grocery store in a neighbourhood, or have five stores scattered around that are barely trying to break even?

The horrifying mistake that I see many new traders commit is that they attempt to learn a number of market

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segments at one go. They are caught up with the idea of having a diversified set of skills.

I think many of us were brought up with the concept that we need to be multi-talented to be successful. I agree that multi-talent comes as a natural process of many years of hard work, but in the beginning, multi-talent confuses and stops people from moving on. In the trading markets, you must take a slice of the market and dominate it.

Experience is the fortune, not the quick profits

In the initial stages, the focus is always to absorb the patterns of the markets. I can even blatantly tell you that if you walked into the markets and made money in your first three months, you are probably going to lose it all. This is because you will build this expectation that it is an easy place to make money. It is not.

However, it becomes a simple place to make money once you know the usual cycle patterns that occur in the market, and you respond appropriately. There are two parts to success in the market:

Understanding market cycles + your response = your success

Most people work hard on understanding the market cycles, but eventually, they let their response spoil their outcome. They may enter too early because of greed, or enter too late because of fear. Let the markets guide you.

Finally, the last watch word is patience. When doing your swing trade set-ups, you get an average of two good trades per week for three quarters of the year. There will be days when you set up the trades, and they were not triggered in. On other weeks, you can go without a good

wealth management

trade set up for a few weeks. In this period, you need to have the patience not to lose the profits that you have made. Ultimately, any good trader learns that you cannot force the market. You can only spot the market moves and ride on them; similarly, protect yourselves from losses when the markets are choppy. The worst thing for any trader is to force trades into undesirable markets because you are impatient.

Why double my income?

Your first goal in trading is to make one dollar consistently. Then the next goal is to double your income. I know it is perplexing to some people that your first target is to make one dollar instead of aiming to make a million dollars. It seems that every magazine, book, website and television show is bombarding us with the myth that any investment instrument can bring us to millionaire status. While it is true that many people will become millionaires in their lifetime, trading success first comes by being able to consistently make one dollar. This then gives you the skills to double your income. At that point, your perception of everything financial will definitely change, because you experience the freedom from mental financial slavery.

Is \$1,000 of \$10,000 the same as \$1 million of \$10 million?

Many unscrupulous books and gurus lead the uninitiated to think that making \$1,000 from \$10,000 is the same as \$1 million from \$10 million. This is absolutely untrue, because human beings will always have an emotional value to money. I may be able to make \$1,000 because the temporary loss to reach that point may be only \$500. This is an amount I can afford to lose without any hesitation. On the other hand, to make \$1 million, I would need a temporary loss amount of \$500,000. This is now my children's university fund and my housing mortgage. The dollar value now takes on a significant fear factor and affects your trading performance.

You are limited by your current earning power

When your monthly trading profits begin to reach the amount of your monthly income, your temporary loss levels would be approximately equivalent to one month's salary. Simply put, you will continue to be able to trade without fear, knowing that you are financially able to withstand any temporary setback.

Furthermore, many traders will reach this point and decide to relax by not expanding their capital any more, as they are happy to accept this quality of life. The hunger to push, now translates to a desire to spend time with family, hobbies and other pursuits in life.

Move your profits away from swing trading


Once your monthly profits have matched your salary level, some of you may choose to quit your job and trade 15 minutes a day! That is perfectly fine. For those of you

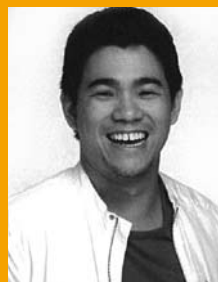
who choose to continue on this double income route; I recommend that you shift your profits away from swing trading into lower volatility instruments like longer-term property or equity investments. Essentially, the trading style that is being used here is swing trading, and while it is a profitable trading style, it is dependent on your health and your emotional mood. There may be weeks of the year that you have a heavy workload, and the extreme stress affects your trading performance. You may unfortunately fall ill, and not be able to set up your daily trades for a few months. These are natural pitfalls of swing trading, and you have to be aware of that.

Do not compound your monthly returns

I may be the first to advise you against compounding your monthly returns. To be specific, you can compound your returns to the point that your trading profits are double your income. Any amount after that should go into an overflow basket investing in safer, slow growth investments. This does not mean a particular investment type. I see many property speculators holding onto properties that are highly leveraged, meaning that the mortgage repayments can barely be covered by rent receivables. You want to shift to low volatility, long term instruments, for example, a property that is mostly paid up in cash, or quality bond funds.

There has been widely publicised research on the concept of wealth psychology and a person's ability to manage wealth. Essentially, people who come into quick wealth will lose it as fast, because their internal character is not able to grow this amount of wealth, thus leading to reckless and unprofitable decisions. Have you ever wondered about all those advertisements in the newspapers about new traders making 100% a day? Why have they not made \$100 million in 2 years, if you followed the rate of compound?

When you over compound your trading returns, you will start losing the extra amount at a very fast rate. The best gauge is always to risk your swing trading capital to churn out approximately the same amount of monthly profits as your salary. Then when your salary increases, you will similarly increase your swing trading position sizes. On the positive note, whatever profits that you put into a property and the resultant rental income generated will count into your income growth as well! 



Winston Ng is the CEO of FXDS Learning Group. He devoted much of his time for the past decade as a self-taught private investor and trader. The financial education school that Winston founded was recently acquired by a SGX listed financial institution in their lengthy search for a quality and credible education service provider for their clients in Singapore. Winston was also nominated for the Spirit of Enterprise Award 2010.