

Getting That One Good Trade



In today's volatile market, getting a good trade isn't easy. But there are still opportunities and ways of coming out on top, said speakers at a recent seminar jointly organised by PhillipCapital and Singapore Investors Association (Singapore) or SIAS. The seminar, "Trade with Confidence with Mike Bellafiore", featured top proprietary trader Mike Bellafiore who also is the author of "One Good Trade", co-founder of proprietary trading firm SMB Capital in NYC and co-founder of educational company SMB Training. Also speaking to the audience of some 250 people were top-tier remisier Robin Ho, who is one of PhillipCapital's most active and successful traders, Joshua Tan, equity strategist at Phillip Securities Research, Lee Chang Wen, Market Making Manager of Phillip CFD as well as Geoff Howie of Singapore Exchange.

Among the key tips shared were how to manage trading risk, the opportunities in the current market and how to get a good trade. This event also marks the official launch of Phillip CFD's latest trading platform, CFTrader 2, which equips advanced traders with more advanced order types.

Risk Management

Commonly, 9 out of 10 people who trade will lose money because of the lack of a trading plan, using too much leverage, lack of discipline and, most fatally, failing to control their risk.

"The 3 Ms of trading are: method, mind and money," said Mr Ho. "Money means money management, which is the risk of trading." Where trading is concerned, risk is the possibility of losing some or all your money and two areas that traders should pay attention to are: share size and the amount of risk to take.

His suggestion is to make use of a trading platform that has strong risk management features. For example, CFTrader 2 allows advanced order types such as stop limit orders, trailing stop orders, OCO (one cancels other), if done, and contingency orders. The sophisticated platform also allows users to set alerts on prices and volumes to let one know about changes in a stock's price trend, and provides them with various tools for technical analysis.

"You should not take any risk until you know how to use your trading platform, you know your trading plan is effective, you can effectively follow your trading plan, and

your trading plan produces successful results," he advises. "Above all, make use of your platform to your advantage."

Opportunities

According to Mr Bellafiore, citing Facebook's much-anticipated \$100 billion IPO, the new big thing is social media stocks. "There's a whole new generation of people who are consuming media differently and investors need to prepare for the coming social media boom by learning as much as possible about these stocks," he predicted. "First, there will be first-tier social media stocks, then there will be second and third-tier stocks. Then, non-social media companies will pretend to be in the social media space to gain valuation." Most importantly, investors must know how to tell the difference between the real top-tier stocks and the "pretenders".

Mr Bellafiore also offered a series of tips for this earning season - move away from prices, because these foreshadow an upcoming movement in the market. For strong stocks, one should take a long position and for weak stocks, a short position. And under no circumstances should investors buy when prices are plunging. "All you do is put your capital at a tremendous amount of risk. Professional traders don't try to catch falling knives," he said, calling such behaviour the number one reason why accounts blow up.

One Good Trade

Trading is not about making money, said Mr Bellafiore. Traders and investors who go in with money on their minds will under-perform. Instead, they should concentrate instead on achieving One Good Trade and doing it repeatedly, improving themselves in the process. Seven fundamental rules to attain that One Good Trade are:

1. Being a good trader: striving to understand the stock you are trading and the market conditions under which you are trading it.
2. Hard work: learning constantly, improving yourself and studying your technique, your stock and the market.
3. Patience: once you have calculated the price at which you want to buy a stock, you should wait for it to reach that price and not buy it too soon.
4. A detailed trading plan: you should have all the details of your trades, from entry to exit, worked out in advance. "Have everything decided before you make the trade, not in the middle of it," Mr Bellafiore advised.
5. Discipline: sticking to your trading plan.
6. Communication: it is always best to trade with a team of like-minded people, because more heads can come up with more ideas. Being able to discuss a trade with others also helps you stick to your trading plan.
7. Review and improvement: every day, you should review the most important trades you make and examine how they were done, so that you will be able to repeat them again when the opportunity next comes up.

Ultimately, said Mr Bellafiore, trading is about one thing: controlling your risk. He mentioned, "New traders try and make money. Experienced traders try and make good risk-reward decisions."

For more information on CFTrader 2, please visit www.phillipcf.com