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Interview: with Trader Brandon Wendell

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TRADER INTERVIEW

An Interview with Brandon Wendell

Brandon Wendell shares some insights, hard learned lessons, recommendations and advice in this exclusive Trader's Journal interview.

Brandon Wendell has appeared as a guest on CNBC, Bloomberg TV, and Fox Business Channel. He has conducted special seminars for the CNBC staff on technical analysis of the financial markets. Brandon has published articles in *The Trader's Journal*, *The Forex Journal*, *Investor Magazine*, and *Investor's Business Daily*. He has also appeared as an industry expert speaker at the *Trader's Expo*, *The Money Show* and *Asia Traders' and Investors' Conference*.

As a former stockbroker, brokerage trader and hedge fund trader, Brandon brings various market views and insight to his trading classes and lectures. A wealth of knowledge, he has held NASD securities series 7 and 63 licenses. An Online Trading Academy graduate in 1998, Brandon has been trading equities, options, Forex, and futures in his own account since. Brandon taught for Online Trading Academy in 1999 to 2001 before becoming a realtor and commercial mortgage broker and managing a venture capital firm. Returning to the Online Trading Academy family late in 2005, he now balances trading, teaching and a real estate career. Brandon is also the San Diego Chapter Chair of the Market Technicians Association and holds the Chartered Market Technician Designation.

PART 1 – WHO IS BRANDON WENDELL?

Please provide a background of yourself? What were you doing before you become a trader? When and how did you get into trading?

The route I took to become a trader is a story in itself. I had taken a job as a stockbroker after having sold a private security guard business I had owned. I quickly found that I did not enjoy the work as a salesperson. I was asked to make 300 calls a day to prospect for clients and to pitch them a stock that the company selected. I knew little of the company I was pushing stock for except what I was provided on the info sheet from the broker's research department. I quickly left and accepted a position at another brokerage at the trading desk.

My job there was to fill the customer and brokers' orders while capturing the spread. I would work orders to get extra profits for the brokerage. These profits were never shared with the customers. For example, if you placed a limit order to buy at \$32.00 and I got a fill at \$31.73 due to working the order, the broker would keep the extra \$0.27/share as profit. It was how the business worked, and still does.

I was finally offered a position as a trader for a private hedge fund. I was given full discretion to trade the funds how I saw fit. I was trading directly for the individuals and without the shady brokerage tricks that had plagued my career so far.

Brandon, how did you get interested in trading?

My father was a stockbroker and that influenced my decision to enter the business. I had always found the markets interesting since I was in high school. We had a stock market game that we played in class and I was hooked. I also loved the movies about the markets like *Wall Street* and *Boiler Room*. Not to emulate the villains, but I saw what the markets could offer as a lifestyle if you were willing to put in the effort.

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What did you find trading interesting?

I really liked the instant feedback. I knew after doing my research and planning the trade whether I was right or wrong almost immediately. I love looking at charts and analyzing them. There is something interesting in viewing human emotions and actions from a dynamic data set.

What was it like when you first started trading?

I really had two starts. First was trading with the fund. That was much easier since I was trading other people's money. There is a stress factor that can really handicap your decision making abilities in the markets. If you are not trading your own money, or have another source of income while you are trading, then that stress level diminishes greatly.

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My second start was when I left the fund and started trading for myself. I tried to keep the same mentality and tactics I had while trading for the fund and failed miserably. I lost nearly all my money and had to stop and figure out what was wrong before I could proceed with trading again. Fortunately, I corrected my problems and became a successful trader. I suppose you could say I had three starts!

Did you receive any assistance when you started trading? Where did you go for advice?

I was fortunate to attend trading classes from Online Trading Academy before I traded any live money. The hedge fund did not have any internal education set up so they sent me to OTA to learn. I had some amazing instructors. Kevin Greene, Merlin Rothfeld, Mike McMahon and Roger Best showed me how to navigate the Level 2 and succeed in the markets. Their dedication to my success made me profitable at the fund. They are still trading and teaching with me at Online Trading Academy today.

How long did it take before you considered yourself successful? And how would you define success?

Success is a personal thing. Not everyone measures success in the same way. For me, I wanted to see a consistent profit in my trading. It did not have to be great or even a certain dollar amount. I knew that if I could be profitable on a consistent basis that I would be successful.

I did well from the start at the hedge fund after taking my training at OTA. However, after I blew up my personal account, I took advantage of the free retake policy of the academy and took the classes a few more times to build my discipline. When I started trading again after this, I was successful after three months.

How much capital did you start with in trading?

I started when margin was 10 to 1 and we traded equities in fractions, not decimals. I opened my trading account with \$10,000.

Speaking of the money aspect – do you think there is a minimum account size a trader should start with when they begin trading?

A major issue with new traders is that they enter the market undercapitalized. I would not recommend trading equities with less than \$30,000, futures and Forex with less than \$10,000, and options with less than \$5,000. You may not use all of the

capital or even your buying power, but it is a mental thing. If you lose \$100 on a \$1000 account, it affects you differently than losing the same \$100 on a \$10,000 account. This game is all about your emotions and controlling them.

What instruments do you trade now?

I receive income from day trading equity index futures and Forex pairs. My day consists of trading futures in the morning until 8:00 or 9:00 a.m., (I live in California), and then trading the Tokyo open for Forex in my afternoon. I still swing trade and invest in individual equities and options.

Do you predominantly trade equities or do you trade other instruments?

I like the leverage that futures offer as well as the ability to trade when the economic announcements are being released.

What characteristics do you look for when you select stocks to trade?

I am looking for specific set ups according to my trading plan. I do not believe that you can trade well without a written plan. My plan details the opportunities I am looking for. If a stock exhibits these characteristics, I will trade it according to the plan. This reduces the emotions that cloud my judgment.

What timeframe do you use?

Intraday, I use a five-minute chart for planning the trades. I always look at larger timeframes for perspective on the trend and use a one-minute chart to time my entry into the trade. For swing and investing, I lengthen my timeframes based on my goals. I could use as large as weekly charts.

What methodology do you use?

One of the first trading books I ever read was Dr. Alexander Elder's *Trading for a Living*. I have been following the Triple Screen Method for trading ever since. It has helped me dramatically.

How many charts do you view at a time?

I have a minimum of three charts open on the security I am trading to follow my methodology. I also specialize in inter-market analysis and have multiple charts open to view related securities. In all, while trading I may have four workspaces open with a total of 20 or 30 charts.

Did you develop your own trading system(s) or are you discretionary?

I use automation to assist me in my discretionary trading. I cannot watch all of my charts so I place alerts on the program to let me know what securities are showing the set ups I am looking for. I have not been able to replicate my thought process in an automated system to my satisfaction, so I will continue to trade discretionary.

What about indicators? Are there any specific technical indicators you prefer?

Price is the best indicator. I look at prior turning points (support and resistance) and candle shape and formations. I have a few exponential moving averages I use for identifying short-term and medium-term trends. I also use pivot points and the Commodity Channel Index.

Are there any specific strategies that work better in the stock markets than in others?

Not really, you have to remember that we are not trading stocks or currency, or futures. We are trading people's perceptions of those securities and therefore people will react similarly with nearly all asset classes and in all countries.

Part of my work with Online Trading Academy is to develop courses for our franchises in other countries. I have successfully applied the same tactics for trading U.S. equities in the Singapore and Indian markets. The main thing you want to do with stocks is to figure out what the market makers are doing and follow them. Find the novice/amateur traders who are making all the mistakes and trade against them. It is easy if you know what to look for.

On average, how long do you hold a position?

My day trades last less than an hour. I am not necessarily bound by time. I watch the trade and exit at targets or stops. I close all day trades before leaving the computer for the day or at market close. I also like swing trades for two to three days.

How many trades do you make, on average, per week?

On a heavy trading day, I may make four trades. I strive for taking fewer trades with better quality. This means fighting impulsive behavior and screening for the right opportunities. I only trade four days a week on average, so I would say 10 trades a week. This is a far cry from when I started as a scalper and made 400 trades a day!

Do you still make the same mistakes that you made in the past after you have been trading so long?

Unfortunately, we are human and sometimes fall back into some of the traps that cost us money in the past. I make a lot fewer mistakes than I used to but no one is completely immune to fear and greed. The key to being consistently successful is

“The main thing you want to do with stocks is to figure out what the market makers are doing and follow them. Find traders who are making all the mistakes and trade against them.”

to minimize those mistakes. Realize that you are making them and stop yourself before the damage gets too great.

Can you tell us about a memorable trade (good or bad)?

It is a little embarrassing, but last August, I was trading the S&P eMini futures and jumped in impulsively to a trade. I had been teaching and felt I missed out on some good opportunities so I was trading to “make up” for lost trades. I broke so many rules and added to a losing position trying to average down. I ended up with a \$4200 loss in 30 minutes. To make matters worse, the next day, I tried to get that money back. My revenge trading cost me an additional \$3700! So much for emotion control.

So what is the best way for a trader to get over a bad trade?

STOP Trading! That is what I did. I stopped trading futures for the rest of that month until I could clear my head of the emotions associated with that account. I still traded other assets, but in different accounts and with stricter risk management.

If you are not trading well – stop trading. Figure out what you did wrong and how you can correct it. Ask yourself, “Did you follow your plan?” Do not start trading until you are calm and have figured out the problem. Start trading again with smaller size to minimize risk and emotion.

You have been trading for some time. I think one of the most difficult things traders are faced with is dealing with emotion. How do you avoid falling into the type of trap?

Having a detailed plan and reviewing it consistently is the

best guard against emotion. You can also plan out the individual trade before you take it. This will slow you down if you are impulsive and the thought process will help you screen out bad or marginal trades.

Are there any specific money management strategies that traders should employ?

Do not risk more than 2% of your capital on any one position. I am not talking about your buying power but actual cash in the account. Newer traders may want to be more restrictive, perhaps _ to 1%. Tighten your stops or reduce share size to stay within these parameters.

In terms of personal characteristics, do you think there is a certain type of individual who makes a better trader than others, or do you think everybody is capable if doing it?

Anyone can trade. There are definitely personalities who will succeed in different types of trading, but that is the neat thing about trading. You can try different styles to find the one that you are best suited for. I am a fast thinker and can be impatient. I excel at short term intraday trades. Someone who is more methodical will be better suited for swing or position trading.

Given a chance, what would you do differently in trading?

Only one thing, I have been very fortunate in my path. I had proper education from the start and great support. I would never take away any of my losses or painful experiences as they were some of the best learning opportunities and shaped who I am today. There are no regrets in trading if you learn from everything you can. The only thing I would have done differently would have been to take advantage of OTA's online mentoring, Extended Learning Track, much sooner. If you are involved with the trading community and following a master instructor, you can accelerate your learning curve.

What do you foresee for the markets in the next 3 to 6 months in trading opportunities?

The markets are going to be incredible for shorter-term traders (holding less than three months). Volatility is bound to rise and offer violent swings that traders can profit from. I do feel bad for misguided investors though. Summer is typically slow with lighter volume, but that has not been the case this year. In the fall, many fund managers will rock the market trying to replicate 2009's returns in a different market environment. Their failure will be our opportunity.



PART II – TEACHING

How did you get involved with Online Trading Academy?

I was student in 1998 after being sent there from my hedge fund. After leaving the fund,

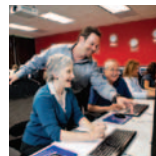
I repeated the class multiple times for free (that is part of OTA's policy to help you succeed). I wanted to build my skills and discipline. I was offered a position as an assistant instructor since I was at the school so much. After trading for some time and proving my success, I was allowed to become a full time instructor.

What do you teach at the seminars?

Since I trade all asset classes, I am able to teach all of the classes OTA offers with one or two exceptions. Specifically, what we teach is how to trade the markets as the professionals do. It sounds cliché, but OTA's methodology is different from other schools. While they may lecture on a specific strategy that only works in one market environment. OTA teaches a skill set that allows the student to identify the market environment, select the proper tools for that environment, and apply the correct strategies to maximize profits while minimizing risk.

How long do you think it would take someone to master the art of trading?

Be patient. It takes time to implement and become comfortable with the proper trading strategies. Most students start to feel comfortable after a few months. The consistency starts near the six month period. If you are still trading after a year, you are doing well on average. That is why it is important to be properly capitalized. You have to make it through the learning period. It is not a get-rich-quick scheme. Successful traders are consistently profitable with small and large winners and small losses. They just need to eliminate the large losses.



PART III – RECOMMENDATIONS

What books would you recommend to our readers?

Definitely Dr. Elder's *Trading for a Living*. I would also recommend Peter Navarro's *If It's Raining in Brazil, Buy Starbucks*. It is a great book on relationships and macroeconomic influences on the market. Also anything by John Murphy is great for reading.

What advice would you give to someone who is thinking about trading for a living?

Take a course and learn from a professional. Make sure you get mentoring and find someone or an organization that will be there to support you throughout your trading career.

Do you have any final comments you would like to share?

Remember, trading is simple, there are simple rules to follow and simple tactics that work really well. It is definitely not easy, however. We must overcome both the professionals in the markets trying to trick us, and our own emotional roadblocks. *Trade safe and trade well!*