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# Forex Trader

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## The gift of the break-even trade

**U**nderstanding your experience in forex trading depends on what measures are used. A straightforward approach often applied is quantifying our results in terms of profit vs. losses. Being profitable is where all of us desire to be. Yet, this measure cannot be, by itself, sufficient to sustain our motivation. All traders have periods of losses en route to profits. As a result, a single-minded desire for profits may itself be a factor in furthering losses and actually reduce the potential for success.

Once a person desires profits, resulting losses turn into disappointments. The experience of disappointment may then unleash a host of destructive emotions. The problem becomes how we handle the losses and not the fact that they occur. How can a trader overcome becoming obsessed with profits and being emotionally unprepared for the realities of losses?

The solution is to step outside the conventional profit and loss paradigm that dominates us and realize that between the realm of profits and losses is a neutral zone that allows the trader to pause. From a mathematical perspective the neutral zone is represented by the

number 0. Obviously one moves from the negative numbers of losing trades to the positive column of winning trades. But having trades that are break-even, or 0 on the profit and loss register or reasonably near that range, is actually a very good outcome. Foremost among its benefits is it allows one to keep intact the capital at risk for another and perhaps better trade. Breaking even may not elicit the praise of others but it is a sustaining event. How you get to break even is also important.

If the 0 entry on the trading log is the result of a profitable trade turning into a loss, it may represent an astute observation by the trader that conditions have changed and getting out is preferable to seeing negative numbers. On the other hand, a break-even trade may be the outcome of a quick exit by the trader fearing a loss. A frequent number of these break-even trades in one's account may reveal the trader is becoming overwhelmed by the setting in of destructive emo-

tions such as anxiety, guilt, fear or greed. We all know that this is not an uncommon experience.

However, the break-even trade also can become a huge opportunity to evolve into a mature trader by going beyond an obsession for profits. Many of us approach each trade in an arrogant fashion, as the chance to grab profits, to scalp or take pips from the market. This concept reflects a common held view that trading is a zero-sum battle between the trader and the market, where the trader wins or loses against the market. But some of the best trading programs produce a win ratio just above 50% (see "Waiting on a winner"). The majority of trades are roughly break-even. Every flat or small losing trade keep us in the game. Traders get in trouble when they stubbornly hold onto a trade refusing to believe their hunch, system or simply their timing, is wrong.

Yet, there is a better and ultimately more effective approach. What if we humbly reconfigure our mindset and view the forex market as a magnificently complex place full of opportunity, that when properly understood provides valuable trades? We would experience a shift in our entire mental

and emotional focus. The market then becomes not our enemy, but a field of opportunities that when understood can produce profits. Those who take this approach do not demand nor expect pips to be handed over as if they belong to us. Instead we aspire to obtain a great trade by recognizing a winning pattern. Pips become what we earn by applying our knowledge. The market becomes our partner, it is a reciprocal relationship. The ability to trade each day by emptying ourselves first of ego satisfaction may not be easy, but it is the distinguishing characteristic of traders in the process of transforming and evolving themselves from frenetic beginnings to a level of competence. If your next trade is neither a profit nor a loss, pause and relax, because in the case of forex trading, the result of 0 is a positive number.

### WAITING ON A WINNER

The top technical currency programs throughout the last three years.

Manager	% Winning Months	Avg. Winning ROR	% Losing Months	Avg. Losing ROR	Up Dev / Down Dev	Compound Annual Return
1 Monarch Capital Mgmt.	58.82	8.74	41.18	-3.12	3.62	50.06
2 Spot Forex Mgmt. (Zurich)	61.76	7.02	38.24	-3.76	2.61	37.49
3 MIGFX Inc. (Managed)	76.47	3.47	23.53	-2.73	2.31	26.2
4 Pacific Asset Mgmt. (Alpha)	41.18	17.16	58.82	-7.12	2.34	25.14
5 Alterama Inc. (Trendoscil FX)	50	10.93	50	-6.06	2.19	24.12
6 Grossman Asset Mgmt. (IPS Currency)	55.88	4.61	44.12	-2.33	2	19
7 Wallwood Consultants (Forex)	64.71	5.23	35.29	-4.97	1.4	18.73
8 Spot Forex Mgmt. (Geneva)	61.76	3.06	38.24	-1.31	2.9	17.51
9 DKR Capital (DKR Strat. Currency)	70.59	3.35	29.41	-3.17	1.9	17.44
10 EChange Capital	58.82	5.05	41.18	-3.87	1.4	15.64

Note: Top 10 programs based on compound annual return. Most have a 2/1 upside/downside standard deviation.

Source: Barclay Map

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