

The 'X' factor in successful share trading

R Sivanithy gets some tips on punting the stock market from Australian trading guru Ray Barros

DABBLING in the stock market can be a risky business — the market can be a financial minefield for those not well-versed in its ins and outs. But according to Australian trading guru Ray Barros, the single most important factor for success is not picking the right stocks, having a good broker or following complicated trading methods.

Instead, it is how well you understand yourself, and how much you believe in a core set of fundamental values.

"I cannot stress the importance of really understanding yourself, really knowing what the danger signs are to your

trading from your own behaviour. For example, keeping a trading diary with the reasons for the trade and what happened to the trade, as well as an emotional diary as to how you felt about the trade, is really very important," he said.

Mr Barros has been a professional market trader for the past 15 years, and has achieved audited investment returns of over 70 per cent each year in five of the past six years. He is here at the invitation of Reuters to deliver a series of seminars on July 5 and 6.

According to Mr Barros, a psychological study of top traders in the US found that they

all had certain beliefs which were consistent. The first — and this may surprise many people — is that money is not important in the short term.

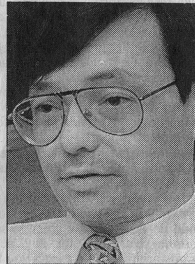
"What you have to do is follow your trading plan. If it works, then the money side of it will take care of itself. One of the mistakes beginners make is that they concentrate on how much money they are going to make. They let their imagination run wild when a trade is going their way, but when it goes against them, they panic out of their position."

The second finding which Mr Barros endorses is that every trade is a learning experi-

ence and happens for the best. "There are no rights and wrongs. For every loss that you suffer, every profit that you make, there is a lesson to be learnt, and if you are willing to learn, you will improve."

Despite painful losses during his early years as a trader, Mr Barros held on firmly to a belief — in himself. "You must believe that you will succeed, no matter what happens," he says. It's another commonly held trait of the world's most successful traders, and Mr Barros strongly recommends that anyone seeking to succeed in the market should inculcate these beliefs.

The psychological aspect of being a good trader extends to money management. Mr Barros recommends a "one third" rule, which says that a trader should set himself up psychologically to be a winner. "One way to do this is to make all your contracts divisible by three. You take out the first trade the moment you can cover your stop losses on the remaining two. Say you take a position for \$300, and set your stop loss at \$290. If the market moves in your favour, you should sell one-third when it reaches \$320, so you've covered your stop-loss for the remaining two-thirds."



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