

The future for futures

In the past 20 years the most powerful influence on futures trading has been computer systems. Some broking firms, relying on computers, actually guarantee a return of capital invested in the futures market. But not all futures traders are convinced the computer should not be placed on a pedestal.

A new trading method called Market Profit (R), in use in the US since 1985, has been described by the influential Futures Magazine as "the hottest trading tool of this decade".

Ramon Barros, who brought Market Profile (R) to Australia, has been using it for just over two years. He is also running seminars to introduce the method to Australian traders.

"The problem with computer systems is that you never know *why* a trade succeeded or failed," says Barros.

"The computer takes the responsibility away from the trader," says Barros.

"This method thrusts the responsibility back on the trader, and you *always* know where you've gone wrong with a trade.

"Since you know when the trade has gone wrong, you get out fast and minimise your losses."

The Market Profile (R) method was devised by American futures trading expert J.P. Steidlmayer, of the Chicago Board of Trade. It is available in Australia through *Money Watch*, as an enhancement of the software package, Master Chartist.

(Master Chartist is central to the undeniably essential function computers *do* have in futures trading. For technical traders — 70 per cent of all futures traders — Master Chartist provides all the endless forms of market analysis they examine, such as bar charts, line charts, momentum indicators, and moving averages. Barros says: "The profile enhancement contained in Master Chartist, breaking down trading into periods of under 30 minutes, is in my opinion the best available in Australia.")

"There are two types of risk in futures trading," says Barros. "The first

is the risk inherent in the industry, which can be reduced but not eliminated. The second is the risk deriving from ignorance of how the market works. With Market Profile (R) that can be eliminated."

He says the method "gives you an understanding of the various interests in the market, and how market behavior works".

This is because it derives its logic entirely from the market itself, rather than imposing on its extraneous measures — such as arbitrary time frames — as computers often do.

Barros says one of Steidlmayer's basic trading rules is: "Trade so as not

to lose money, and profits will take care of themselves."

Barros says: "There is no such thing as trading the market and not having losses. It is perhaps the only business in the world where you have to plan in your losses."

But futures traders are more optimistic than sharemarket investors since the events of last October, according to Barros.

Although futures markets, particularly those other than stock index futures, were initially affected, most futures markets are now "healthier than the stock market", he says.

(R) Market Profile is a registered trademark of the Chicago Board of Trade.



Ramon Barros: Futures markets in a healthy way