



Thinking in Principles

Ray Barros, trader, coach, seminar speaker and ex-lawyer, shares his experience from looking for certainty to learning how to live with uncertainty in trading for a living.

CP: Let's start from the beginning, before you became a full-time trader.

RB: I was a lawyer by training and had had a legal practice for some time because my father wanted his children to be professionals. My interest in trading was also established early because of my dad. He was an accountant and later became managing director of his firm because of his ability to trade or invest in the stock market. I hero-worshipped my dad, and whatever dad was, I wanted to be. But I also knew that he'd be unhappy if I became a full-time trader. So, I remained a lawyer in his lifetime.

CP: When did you start to trade full-time?

RB: When my dad passed away, I told my wife that I am going to take a big risk. I am going to get rid of my law practice and trade for a living. She said okay and off I went.

CP: When was that?

RB: Late 1970s.

CP: What was it like at the beginning?

RB: The first couple of trades were winners and that was the worst thing that could have happened! I was day trading the gold market with my father-in-law. Gold was trading in a narrow band then. I would buy the bottom and sell the top and I thought: "This is really easy!" Then it happened. I lost all the profits I made in the first two weeks and more. And I continued to lose a lot of money. But, I was lucky that my wife was, and still is, supportive of my trading. She used to say, in those days, that she not only had to go out and bring home the bacon, she also had to cook it. And, on top of that, I was throwing the bacon away!

CP: Where were you trading at that time?

RB: I was trading in Sydney at that time. I was born in the Philippines. Moved to Hong Kong when I was about 3 or 4 years old, stayed there for about 14 to 15 years, moved to Sydney for 40 years and now I am living in Hong Kong again.

CP: How long did it take you to get back up again?

RB: It took me almost 10 years, just before the 1987 crash, to be profitable. I am a very slow learner (laughter). I started to become profitable in the early 1980s but not in a consistent manner, which is the way, I like it. I remember the first year I made money in the early 1980s - I was up 35% in January, down 20% in February. So in February, I had lost all I had made plus another 20%. Up one month, down the next - that's what I call volatile. I don't consider that making money. I was just lucky when I had a profitable month.

I started to make money consistently in the middle to late 1980s. I don't consider the 1987 crash as part of my portfolio as I consider myself lucky to be short at that time in that year. I was short a couple of S&P contracts and my machine at home went down. So I went to the office. I remember walking into the office and asking my friend what was the market doing. He replied, "Down about a hundred points" and I said, "That's all?" He looked at me astonished and said, "That's the Dow!" Wow! I thought if the Dow was down a hundred points, which was unheard of in those days - 30 points was considered a big day - the S&P must have crashed. Like I said, I don't count 1987 as part of my track record. For my professional trading, my track record for funds management starts from 1987 but I do not include the money I made in the crash.

CP: What attributed to your getting back and being consistent?

RB: When I first started, there were few resources, unlike now - good teachers, good books, good courses were rare. Definitely much less help than is available today. I was a trader looking for certainty in the market. I knew nothing about money management, even less