'negative development'. Negative development is price action that should give a certain result and it doesn't, e.g. the market breaches support; it should head south but instead turns around and heads north.

If the market trend is up, corrects and breaks the 50% retracement level, but then heads north, I get very aggressive if the monthly and quarterly trends are in my favour. These are solid trades. The good thing about negative development is I can give it three bars to start to move in my favour. If it doesn't do something within 3 bars, I exit the position. By do something I mean it moves one and a half ATR (Average True Range) from entry. Of course, I'd like to see that happen at the next bar! You see, if the market takes out support and fails to continue heading south, there will be many disappointed short sellers, and if it does go back up, these guys will be covering and fueling the move.

The other kind of setup is my contraction setup. This is the normal setup. I learnt from Joseph Hart (author of Trend Dynamics) a time stop for these: take half the value of the swing. If I am trading an 18 Day swing, that would be a maximum of 9 days for the market 'to do something'.

CP: What is a zone?

RB: It is an area where I expect the market to find support or resistance. I use a tool called MIDAS developed by the late Paul Levine to give me a general area where the market should hold. It is an anchored moving average based on volume and price. I don't expect the market to stop on a dime there but I do expect the market to trade a percentage above or below it. It is a very good tool for responsive traders.

CP: How about stops?

RB: I have a price stop and a time stop. I look at a trade and first determine where the stop should be. Then I see whether my money management will allow it. If there is a need, I can reduce the number of contracts. If my money management doesn't allow it, then there is no trade. That's the hard stop and it goes into the market. It protects me against unforeseen events like suddenly losing my line and not being able to contact the broker.

My other stop is a time stop. Essentially when I have the trade on, I assume it is wrong and it has to prove itself. I spoke about time stops in the context of negative development and contraction setups.

CP: What do you trade?

RB: Precious metals, interest rates, stock indices and currencies (forex).

CP: Do you do asset allocation among the four?

RB: No, I don't have a fixed percentage for each asset. Whichever presented an opportunity first gets the money. But I do have a maximum percentage of capital that I risk at any one time. For argument sake, let's say 30%. If all 30% has been allocated and a precious metal trade comes up, I wouldn't take it.

From a risk management point of view, I will not trade correlated or inversely correlated instruments. Example, I will not have both Canadian and Australian dollars positions at the same time nor the British Pound and the Euro. I used CSI's correlation module to work out the correlations. An interesting result was the almost perfect correlation between the Nikkei and US T-Bonds. Hence, I would not take a T-Bond and Nikkei position together. I'd take one or the other.

CP: Who do you trade through?

RB: Where possible, I trade CFDs (Contracts for Differences) through CMC. CMC is one of the new groups of brokers who create synthetic futures contracts in stocks, forex, and precious metals. There are no exchanges and they wear the risk.

CP: Is credit risk an issue?

RB: There is always credit risk, no matter whom you use. Their balance sheet looks okay and they offer segregated accounts. I have been with them for a year and the one thing I like about them is there is no slippage on stops, at least so far. That's right, zilch slippage. In futures trading, I normally factor in 5 points for slippage.

CP: You mention some students you had. What sort of coaching do you do?

RB: It has changed through the years. I still give seminars but the coaching has changed, as it didn't achieve what I wanted. In the old days, it used to be literally a university course. It took about three to four years to complete but there was no time limit – the student could take as long as he wanted. That didn't work and many just dropped out. I then limited it to three years. That didn't work either. So I stopped for a while. An American friend, who is also a trading coach, advised me to teach the theory for a fixed period, say 9 months to a year, then go and sit with the student for two weeks for the practical, followed by 6 months of back up. I love to teach and I think I am going to take his advice.

CP: You attended Robert Fischer's seminar in Singapore and I believe a number of others. For someone who already has his own methodology that works, why do you still attend seminars?

RB: I have a budget, about 20% of my annual net income, for seminars, books etc. Chaos theory tells us the market is a complex, self-learning system. The stuff that works for me now may or may not work for me down the track. The principles will work but the setups may stop working. That is why I think mechanical systems have a limited life span. I have a certain way of thinking and I like to find out how others think. I just bought a book on quantitative trading titled 'Introduction to Quantitative Financial Analysis'. My maths background is poor; I used to get zeros in high school tests! My maths theory is better now but books of this nature are still very challenging. Nevertheless, because the book was highly recommended, I will plow through it to get an idea how the author sees the market. That's also why I attended Fischer's seminar. I may or may not use his stuff but he has a certain way of thinking. Learning how people look at things may give me a fresh approach and that is what I get out of attending seminars, it may give me a new way of looking at the market. When I first started, I got into market profile for the same reasons. It has had a great impact on my trading; I still use many of the ideas though I have adapted their application to suit my personality.

Not all the 'new tools' bear fruit. Sometimes the expenditure is a waste