

World Cup University

“How I Trade Futures, Stock Indices and Forex”

By Kevin J. Davey



Today's Agenda

- **Who Am I / Who is Kevin Davey?**
 - Trader background
- **My History & My Trading Philosophy**
- **How Do I Trade Futures?**
- **How Do I Trade Stock Indices?**
- **How Do I Trade Forex?**
- **For More Information...**
- **Questions and Answers**



Who Am I / Who is Kevin Davey?

- Futures Trader for 15 years
- Engineering Undergraduate, Masters in Business Administration (4.0 GPA, top 25 school)
- Award Winner in Many Different Areas
 - **School:** Summa Cum Laude Graduate, Dean's Academic Achievement Awards
 - **Software Development:** "Best Shareware" - *Car Lease Calculator Software*
 - **Professional:** "40 Under 40 Award" - *Up and Coming Business Leader - Crain's Business Magazine, Top Executive in Aerospace Company*

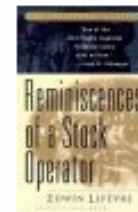
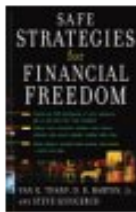
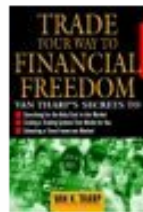


My Trading History

- During the first 10 years of trading, I spent a lot of “tuition” on trading schemes/ideas that did not work
 - Cowboy Trader “1-2-3” method >> **LOST \$**
 - Simple Moving Avg Cross >> **LOST \$\$**
 - “You Can’t Lose...” Method >> **LOST \$\$**
 - Averaging Down Method >> **LOST \$\$\$**

My Trading History

- But, those early losses forced me to research the best traders and ideas
 - Market Wizards books
 - Other Classic Investing Books (visit my website!)
 - Van Tharp's Trading Psychology Courses
 - Turtle Trading Method

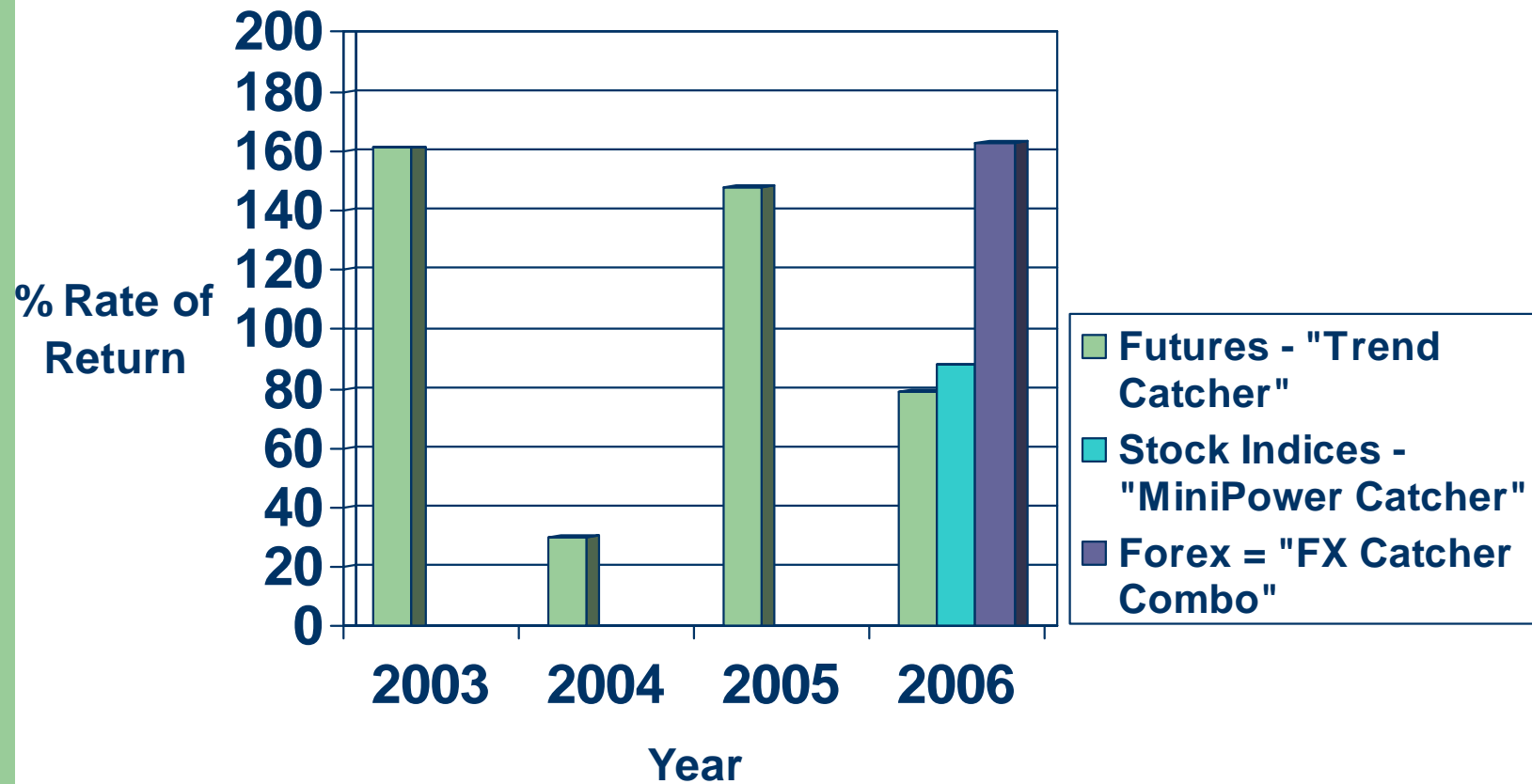


- Combining what winning traders did with my own personality/psychology led me to where I am today

Disclaimer

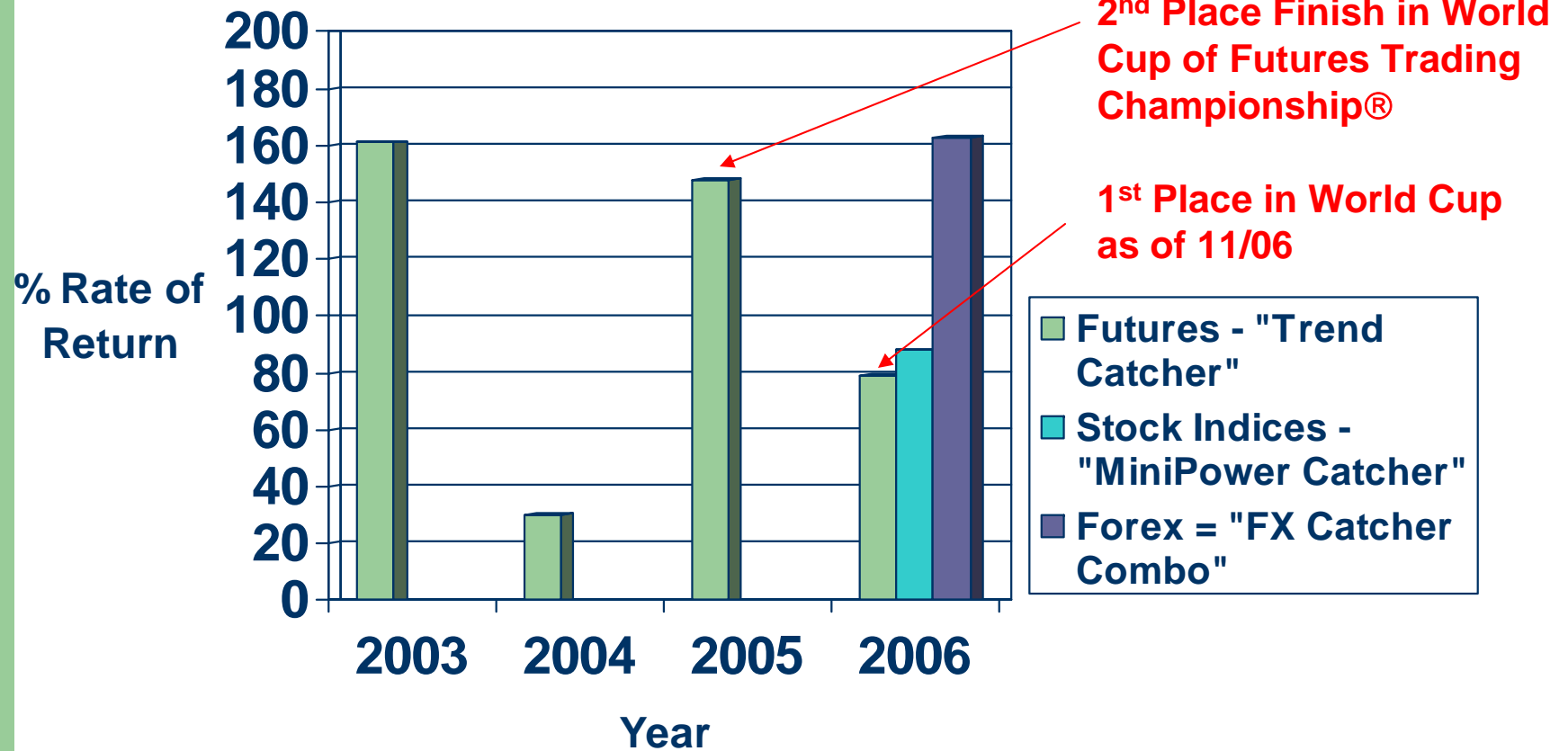
The performance data in this presentation is based on live trading in funded accounts. Some results are shown as net of commissions and subscription fees, and some are shown as gross results. All frames are appropriately labeled. Please remember that trading futures and forex involves substantial risk of loss and is not suitable for everyone. Past performance is not necessarily indicative of future results.

How I've Done Recently



- Actual results, after commissions, net of any subscription fees. Forex return is annualized return based on 13.6% return during October 2006.

How I've Done Recently



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My Trading Philosophy/Rules

- All fundamental information is priced into market
- Trade only what you can test historically
- Don't average down
- Don't trade off the news
- Take trader emotion out of picture – trade automatically when possible
- A “system” type approach works best
- “KISS” – keep it simple, stupid!

My Trading Philosophy – 5 Steps

- **Have a Plan**
- **Find a Strategy**
- **Check and Double Check**
- **Execute Strategy**
- **Monitor and Adjust**



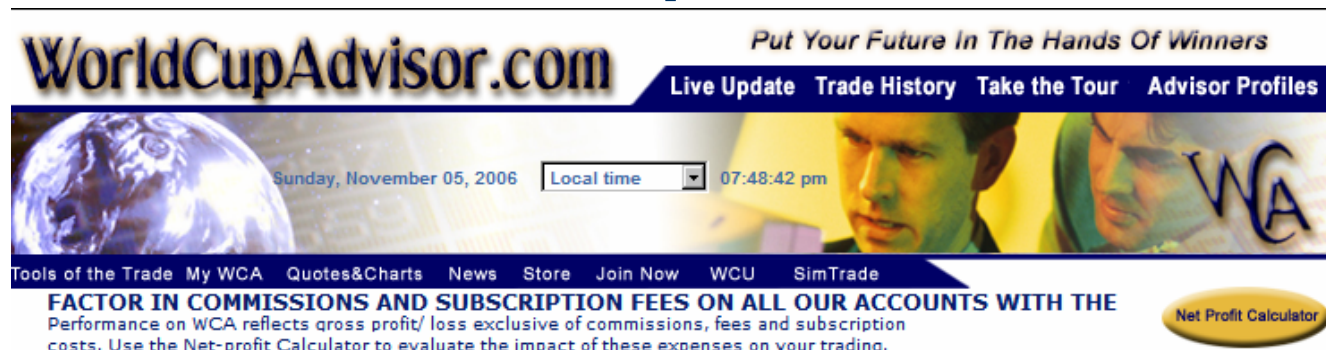
Whether you are developing your own system or following an advisor, these steps are critical!

My Trading Philosophy

- Visit www.kjtradingsystems.com for FREE article on the 5 steps



- Visit www.worldcupadvisor.com for FREE webinar on the 5 steps



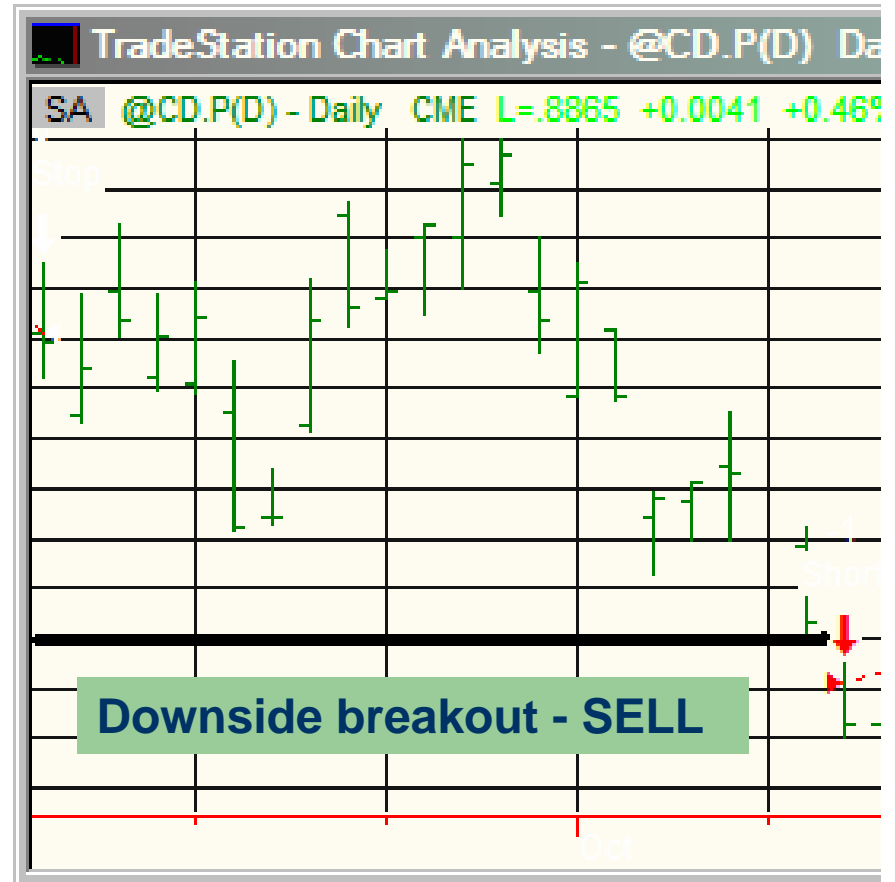
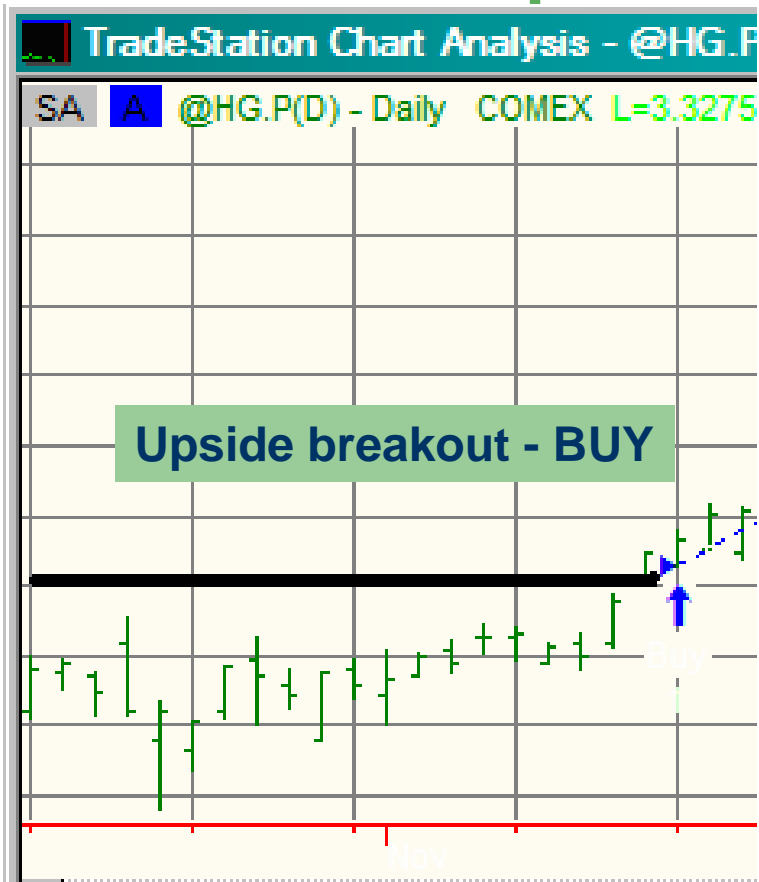
How I Trade Futures

Entries

- **After trying thousands of different entry types, I found that a simple **x day breakout, with an oscillator confirmation**, worked best at getting the trade moving in right direction**

How I Trade Futures

Entries - Examples



How I Trade Futures

Exits

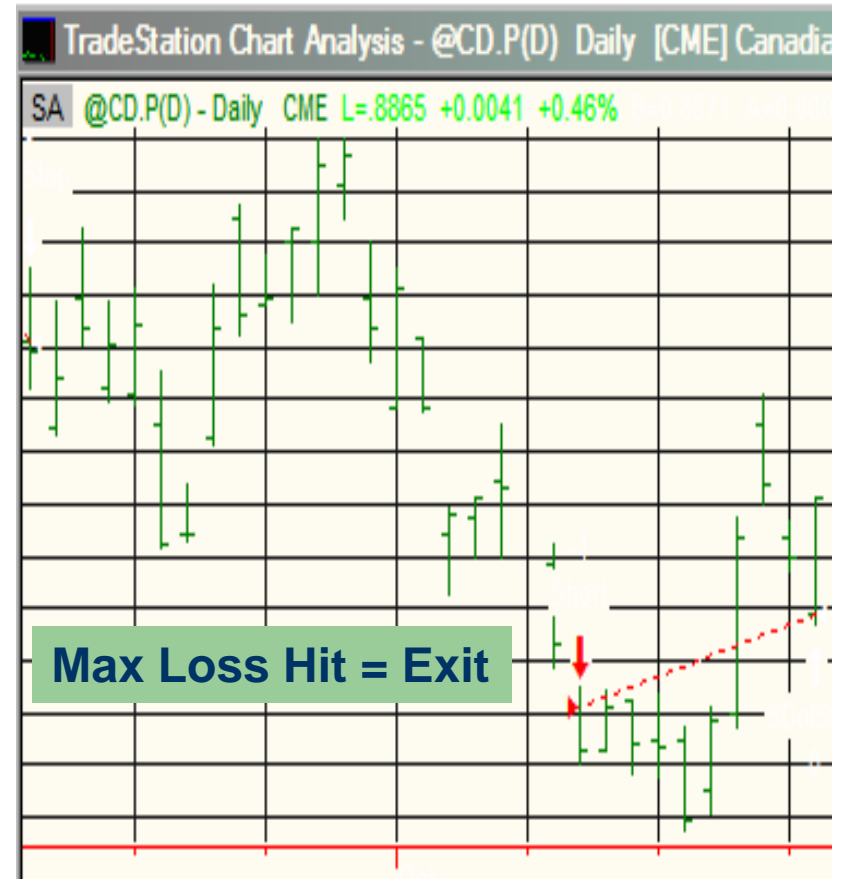
- **After trying thousands of different exit techniques, I determined 3 keys to a good exit**
 - **Initial Stop** – initial amount of loss
 - **Moving Stop** – as profits achieved, very slowly move stop
 - **Accelerated Stop** – when certain profit is achieved, tighten stop

How I Trade Futures

Exits - Examples



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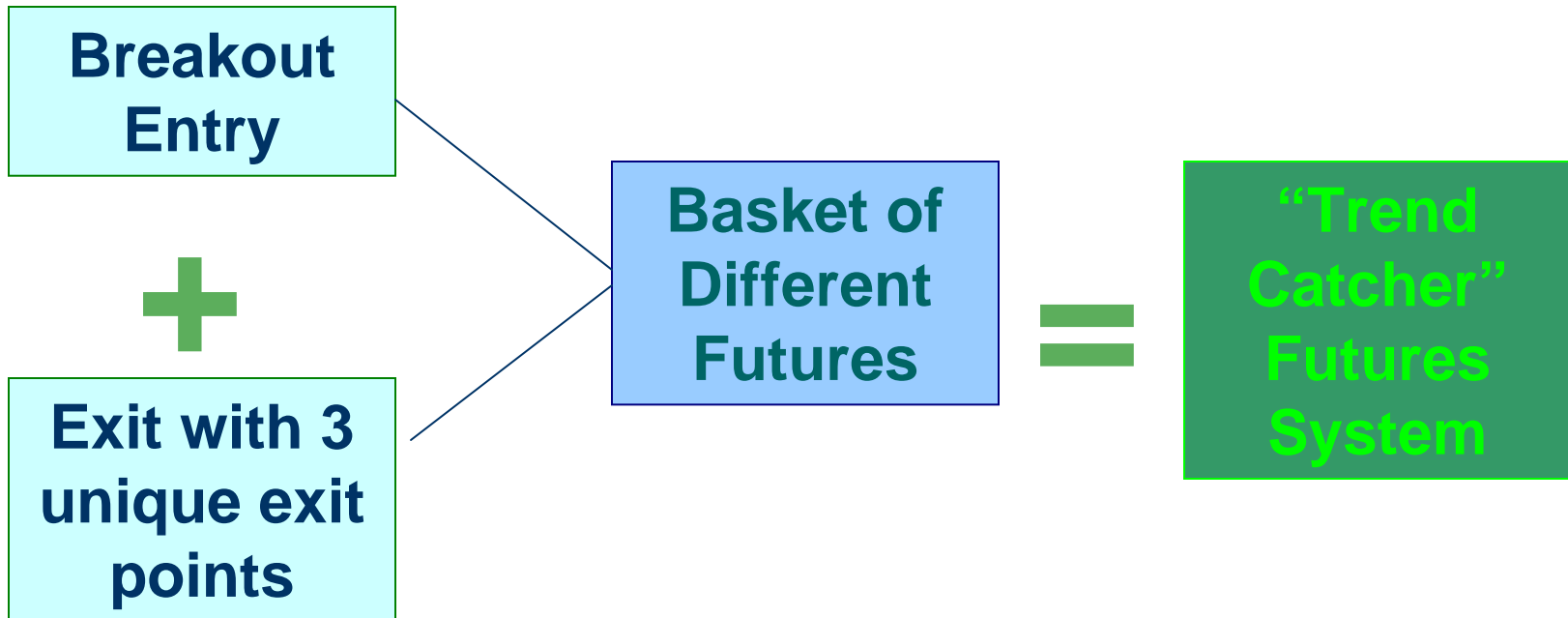
How I Trade Futures

Markets

- **A robust strategy will work well on different, uncorrelated markets**
- **A basket of futures will help even out the equity curve**
- **Pick big volume contracts in each sector (ags, energy, financials, currencies, softs)**

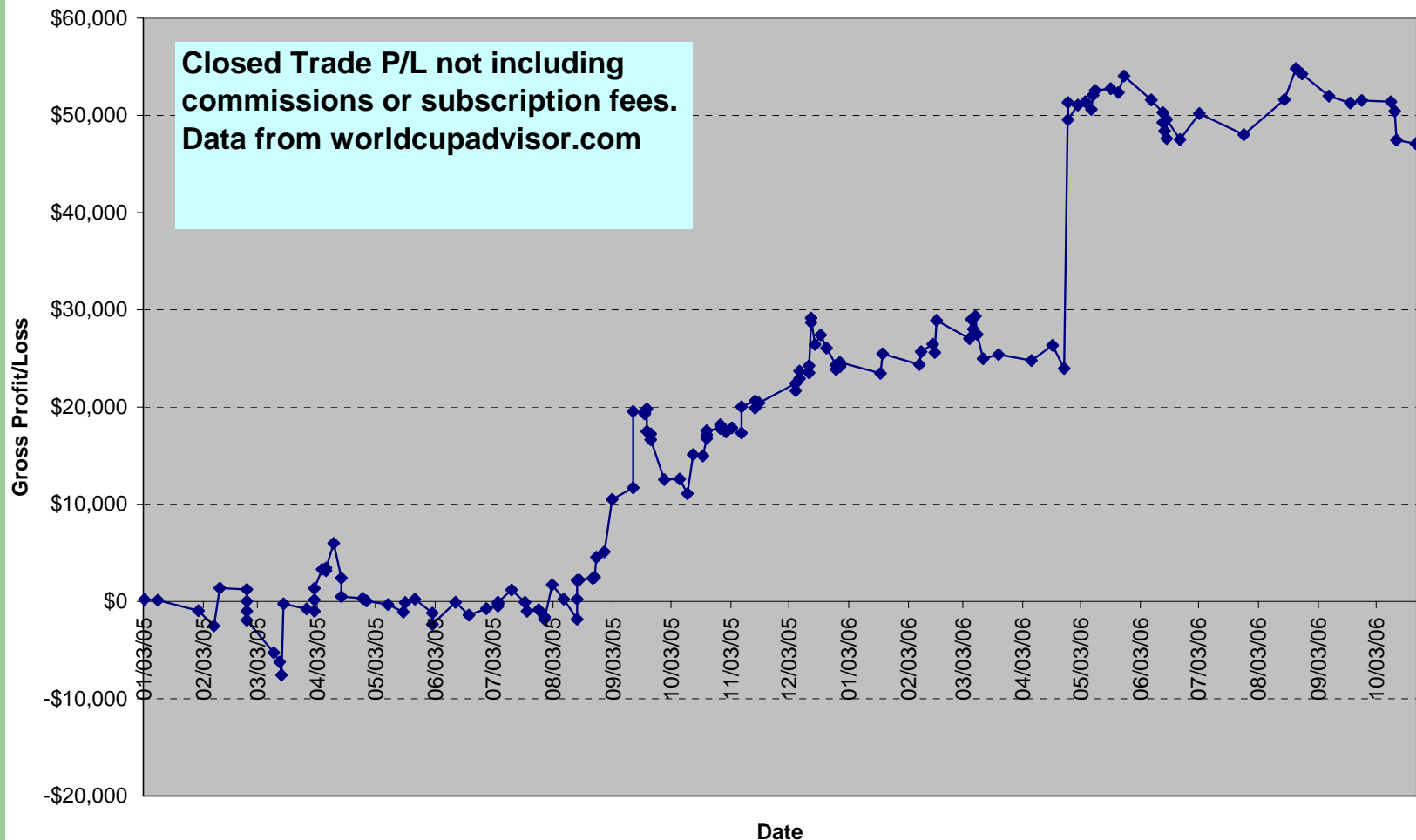
How I Trade Futures

Put it All Together...



Futures – How Has It Done?

Futures - "Trend Catcher" P/L



How I Trade Futures

Drawbacks

- **Doesn't trade very often**
- **Missing 1 or 2 trades might mean difference between overall system profit or loss**
- **Significant drawdowns since system lets profits run**
- **Roughly 50% of trades are losers**

How I Trade Stock Indices

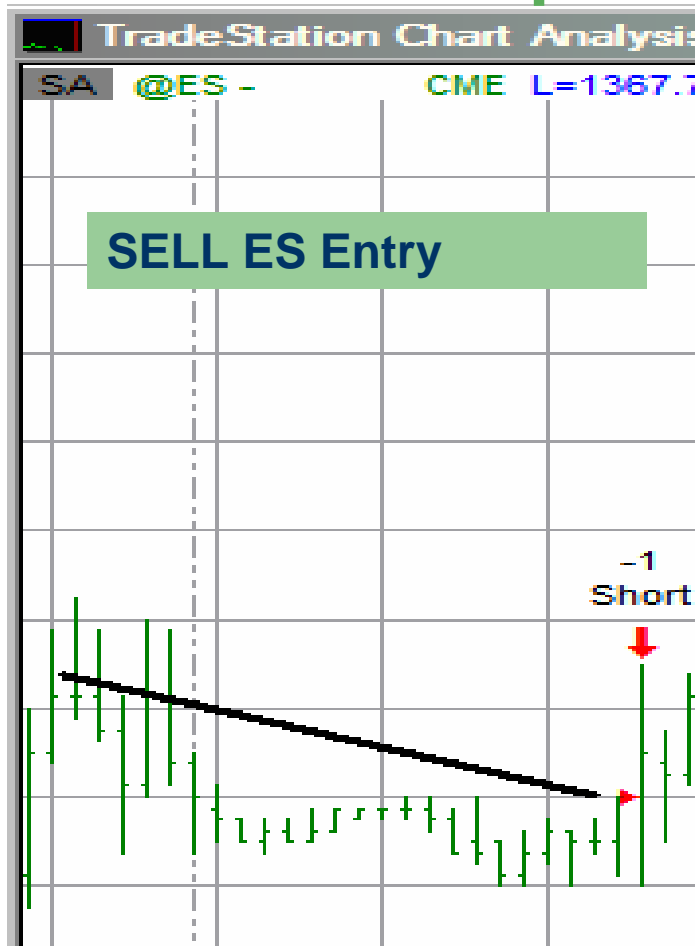
Entries

- **Standard Trend Following doesn't work**
- **Typical entry methods don't work well**

- **But...a simple, but unusual, single moving average crossover does work well!**

How I Trade Stock Indices

Entries - Examples



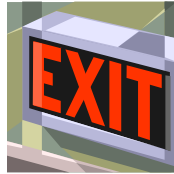
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How I Trade Stock Indices

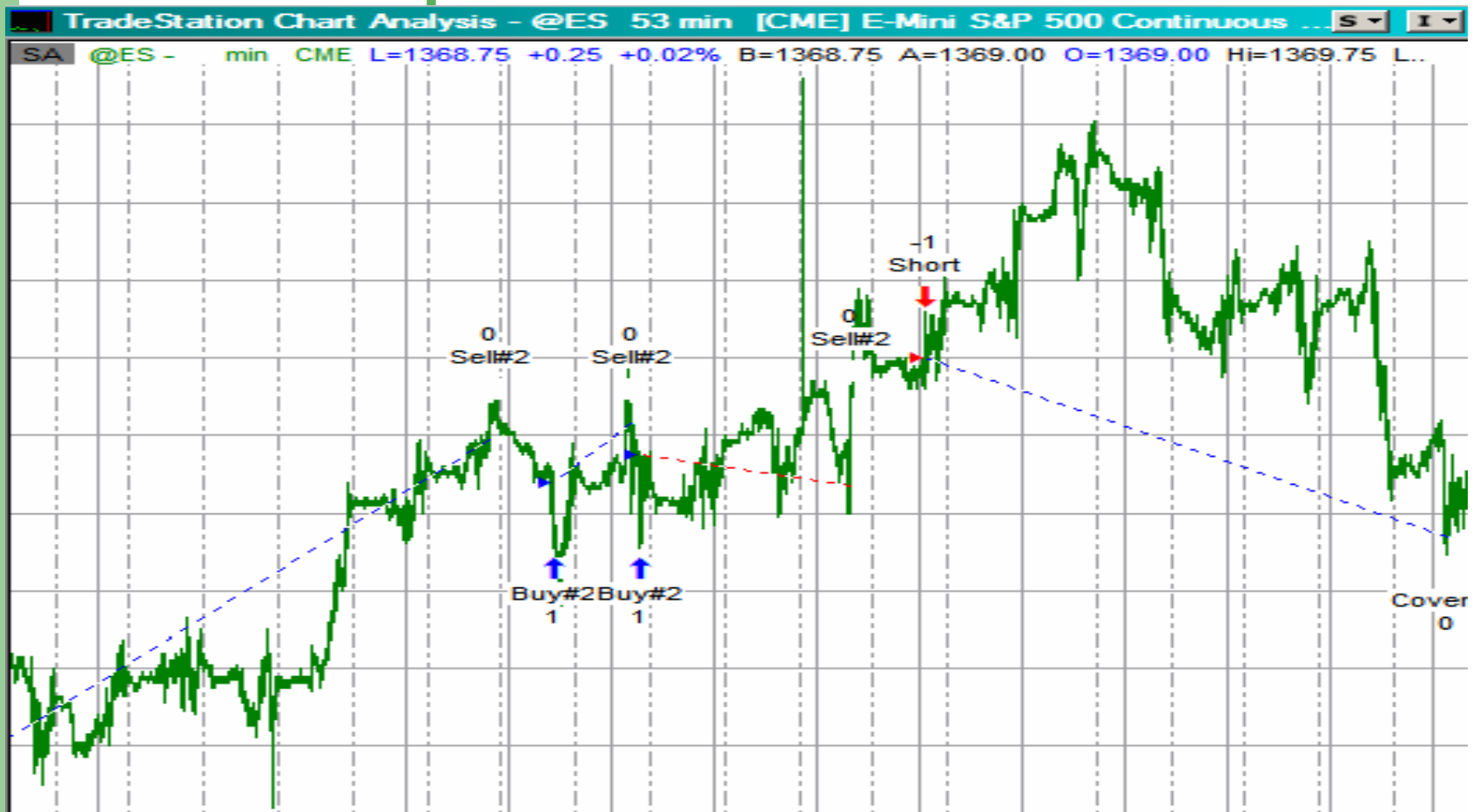
Exits



- **Same types of exits that work well in Futures also work well in Stock Indices**
 - **Initial Stop** – initial amount of loss
 - **Moving Stop** – as profits achieved, very slowly move stop
 - **Accelerated Stop** – when certain profit is achieved, tighten stop

How I Trade Stock Indices

Exits - Examples



How I Trade Stock Indices

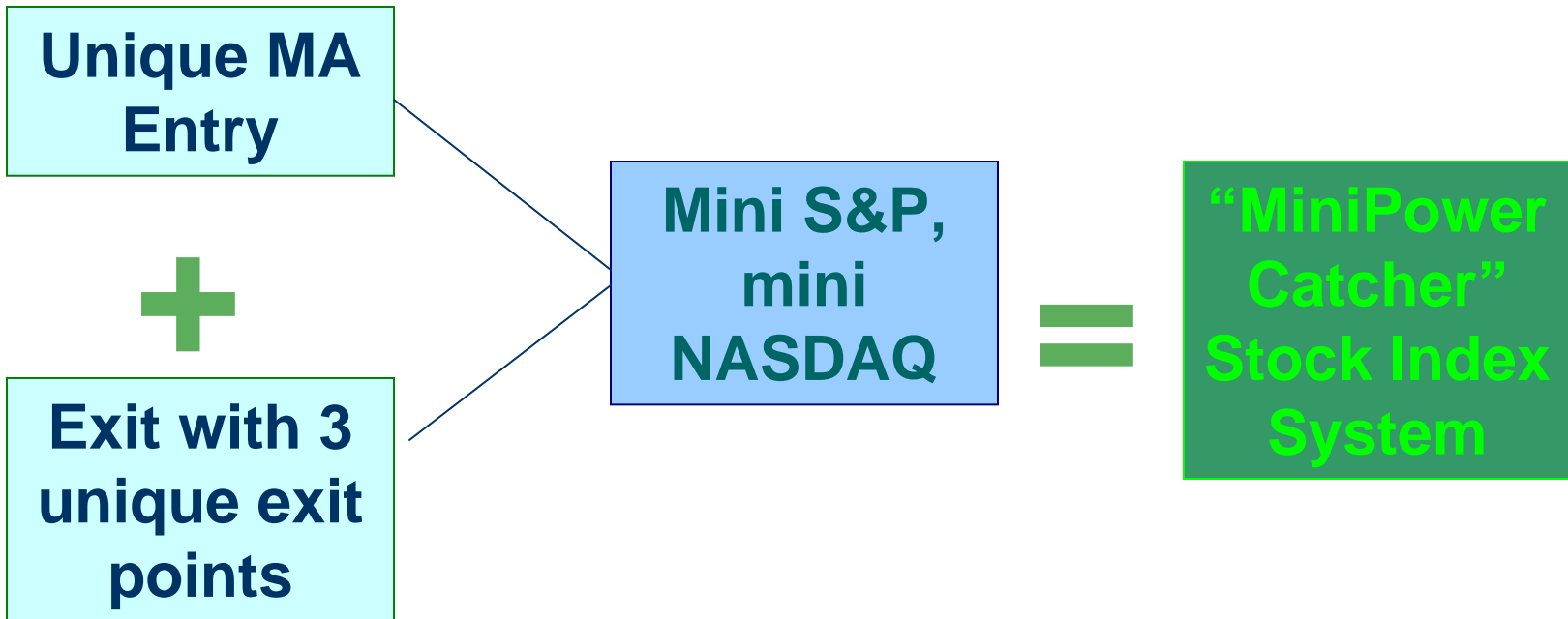
Markets

- **Want most liquid indices**
- **Want to trade electronically**
- **Want reasonable margin size (~\$5K margin)**

- **Mini S&P (symbol ES) & mini NASDAQ (symbol NQ) were chosen**

How I Trade Stock Indices

Put it All Together...



Stock Indices – How Has It Done?

Stock Indices - "MiniPower Catcher" P/L



How I Trade Stock Indices

Drawbacks

- Does not hit “home runs” like Trend Catcher does
- Has flat periods of few months duration (11/05-2/05, 8/06-10/06)
- Loses 37% of the time (before commission)

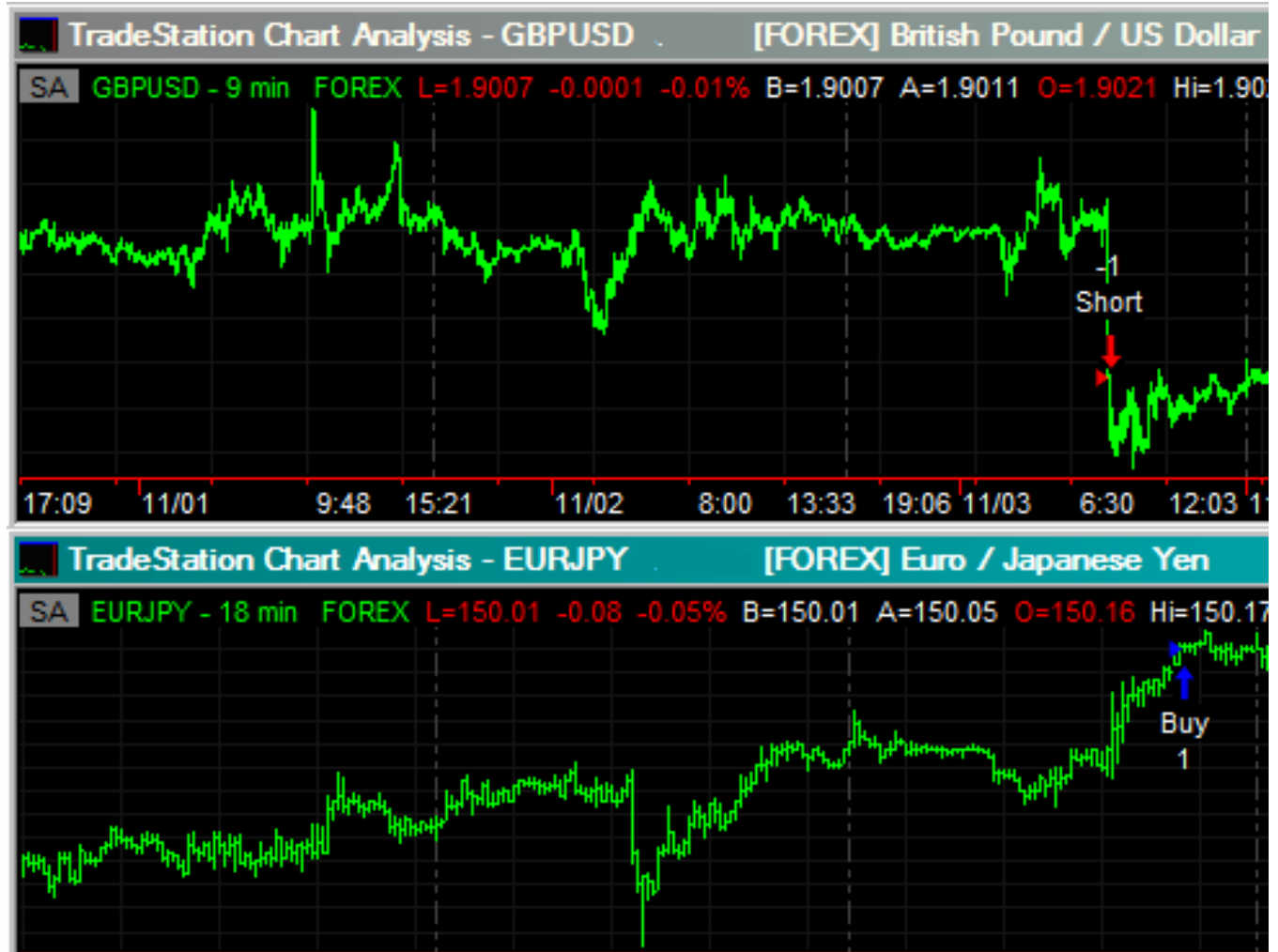
How I Trade FOREX

Entries

- **Standard Trend Following works, given the correct short term timeframe**
- **Exact same strategy as “Trend Catcher” works very well, with parameter adjustments for shorter timeframe**

How I Trade Forex

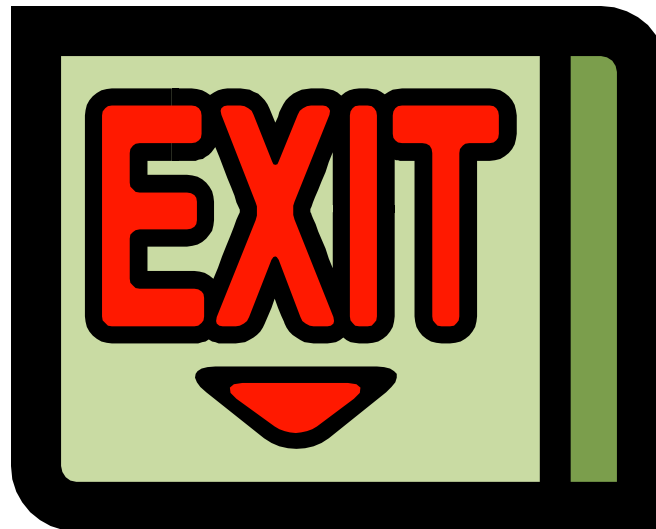
Entries – Examples



How I Trade Forex

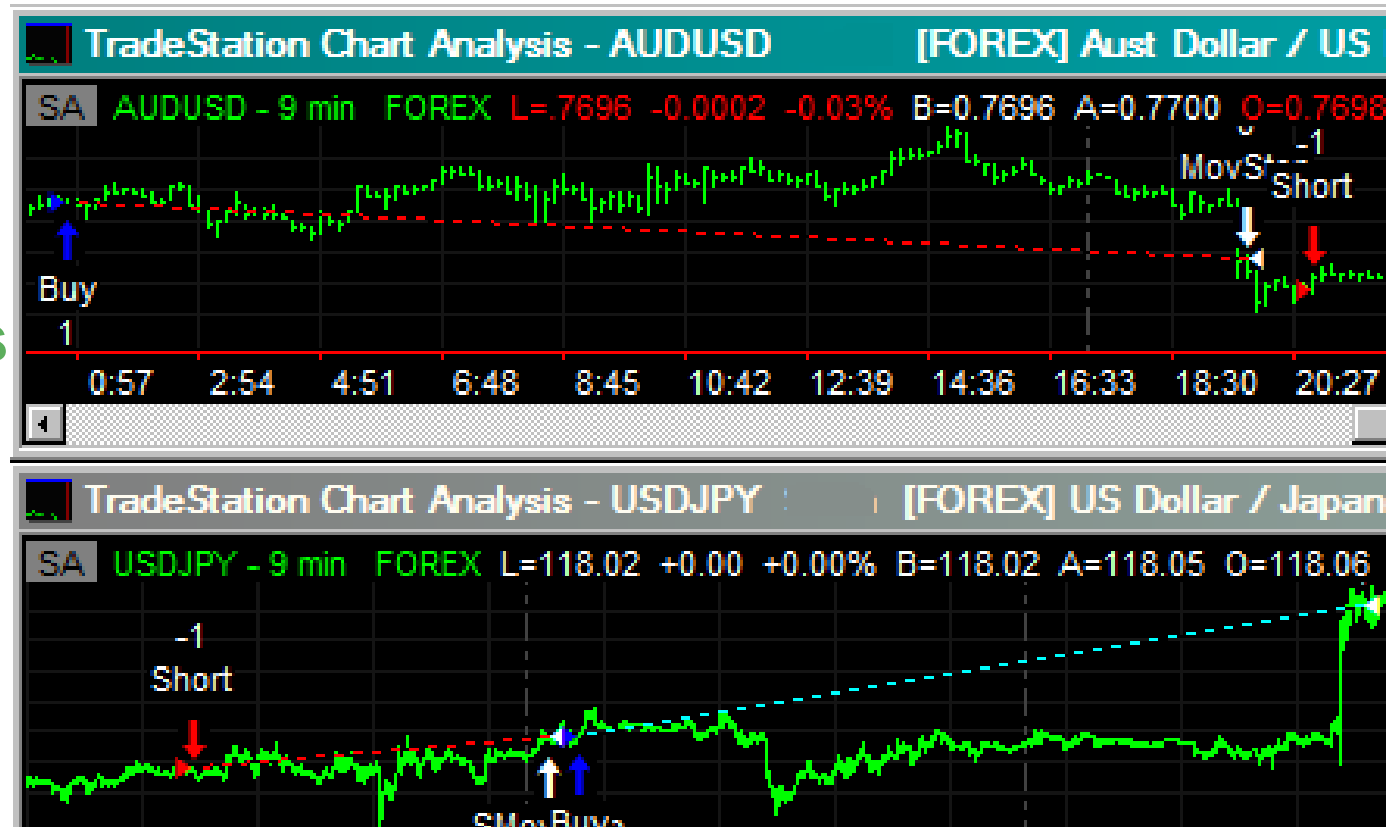
Exits

- **Same type of 3 tier exits that work well in Futures and Stock Indices**



How I Trade Forex

Exits – Examples



How I Trade Forex

Currency Pairs

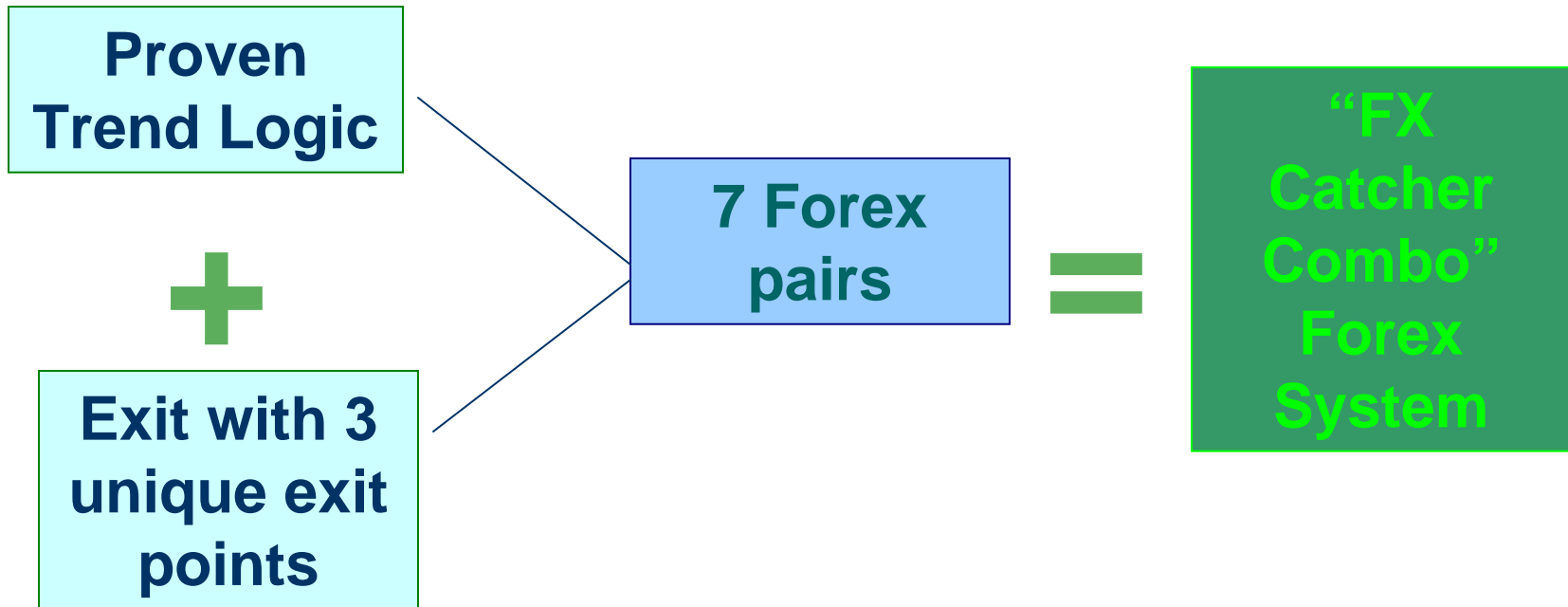
- Want most liquid pairs
- Want the lowest spreads
- Minimum correlation between pairs

- **FX Catcher 1** - USD/CHF, EUR/JPY, GBP/USD
- **FX Catcher 2** – AUD/USD, EUR/USD, USD/JPY, USD/CAD
- **FX Catcher Combo** – All 7 of the above



How I Trade Forex

Put it All Together...



Forex – How Has It Done?

Forex - "FX Catcher Combo" P/L



How I Trade Forex

Drawbacks

- **Has only 1 month real time trading track record**
- **May experience significant drawdowns**

Summary – How I Enter Trades

- **Futures** – medium term trend following
- **Stock Indices** – short/medium term trend and counter trend following
- **Forex** – short term trend following, same entry logic as Futures

Summary – How I Exit Trades

- **Same Basic Logic for futures, stock indices and Forex**
 - **Initial stop to limit loss**
 - **Moving stop to lock in profit as trade becomes positive**
 - **Accelerated stop as high profit level reached**

For More Information

- www.worldcupadvisor.com
 - **FREE Trade history results**
 - **General information on trader, systems**
 - **FREE Webinars**

- www.kjtradingsystems.com
 - **FREE Videos on all systems**
 - **Trading blog**
 - **FREE Articles, recommended reading lists**

Questions and Answers



- E-mail World Cup Advisor: info@worldcupadvisor.com
- E-mail Kevin Davey at: kdavey@kjtradingsystems.com

Thank You For Attending!

**Thanks for Joining Us Today! May All
Your Trades Be Profitable, and All
Your Systems Be Winners!**

