

Tradersworld™ Online Expo

“How To Trade Like a World Cup® Champion”

By Kevin J. Davey



Today's Agenda

- **Who Am I / Who is Kevin Davey?**
 - Trader background
- **My History & My Trading Philosophy**
- **How To Trade Like a World Cup® Champion**
- **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*, High Ranking Executive in Market Leading Aerospace Company

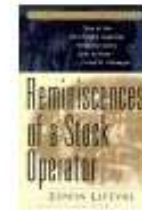
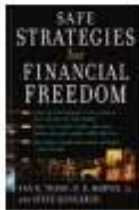
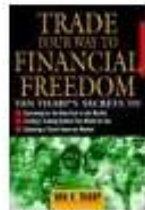


My Trading History

- 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**

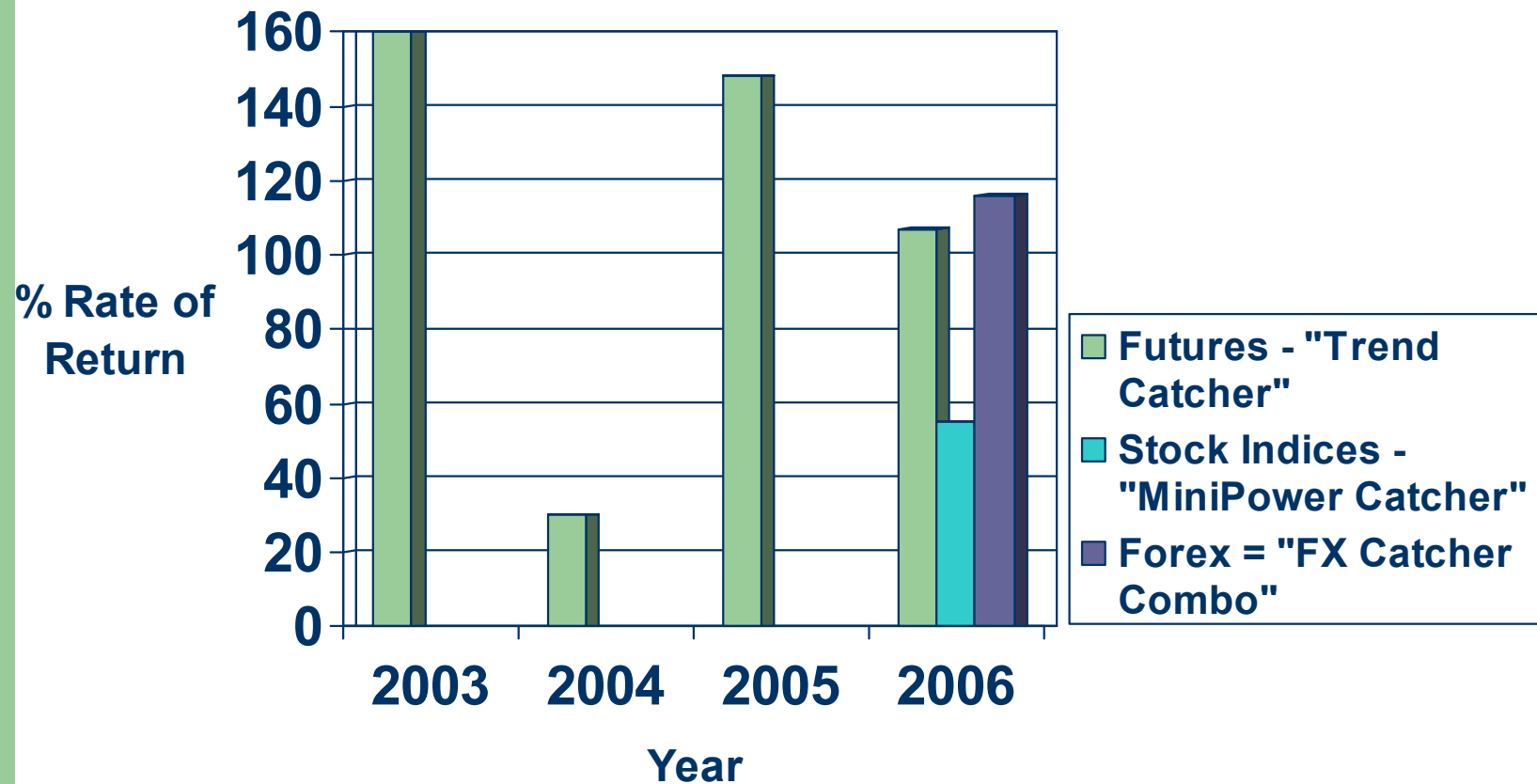
My Trading Philosophy/Rules

- 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!

Disclaimer

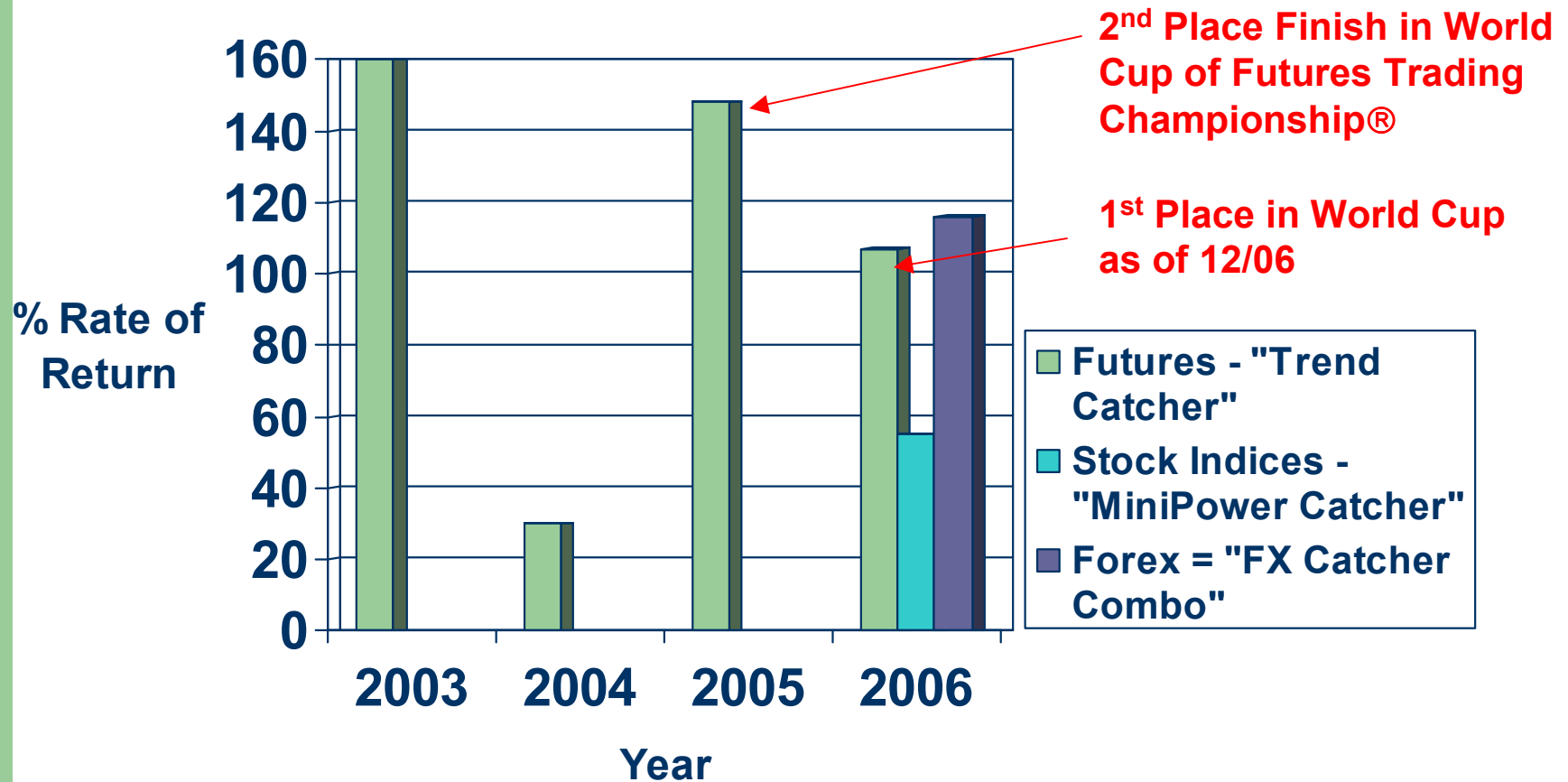
The performance data in this presentation is based on live trading in funded accounts. Some results are shown as net of commissions and subscription fees, and some are shown as gross results. All frames are appropriately labeled. Please remember that trading futures and forex involves substantial risk 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 return during October/November 2006.

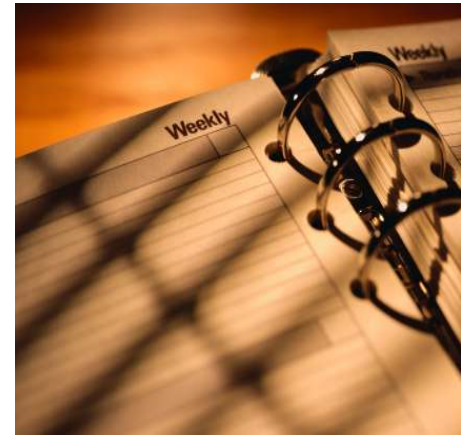
How I've Done Recently



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

Trade Like a World Cup Champ!

- **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!

Step 1 – Have a Plan

- Know What You Want
- Know Your Up-Front Investment
- Know How Much To Risk

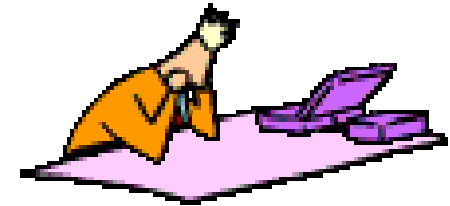
Whether you are developing your own system or following an advisor, this step is critical!

Step 1 – Have a Plan

- **How I Did it...**
 - **Know What You Want**
 - I want to develop profitable trading systems
 - **Know Your Up-Front Investment**
 - After having initial system, I still spend 10-20 hours per week refining and enhancing my systems
 - **Know How Much To Risk**
 - I developed drawdown guidelines that I could live with

Step 1 – Have a Plan

- **How YOU Can Do It**
 - **Know What You Want**
 - What rate of return do you desire?
 - **Know Your Up-Front Investment**
 - How much time and money to find a system?
 - **Know How Much To Risk**
 - What are you willing to lose (\$), how long can you stick to it?



Step 2 – Find a Strategy

- Skill Assessment
- Research
- Detailed Development



Most people jump right to the 3rd point (detailed development), but the first 2 points are critical!

Step 2 – Find a Strategy

- **How I Did It...**

- **Skill Assessment**

- I determined what I was good at (attention to detail, quality focus, programming ability) and built systems to my strengths

- **Research**

- I saw what worked long term (trend following), what hype to avoid (day trading using red and green signals)

- **Detailed Development**

- I developed a strategy that fit me!

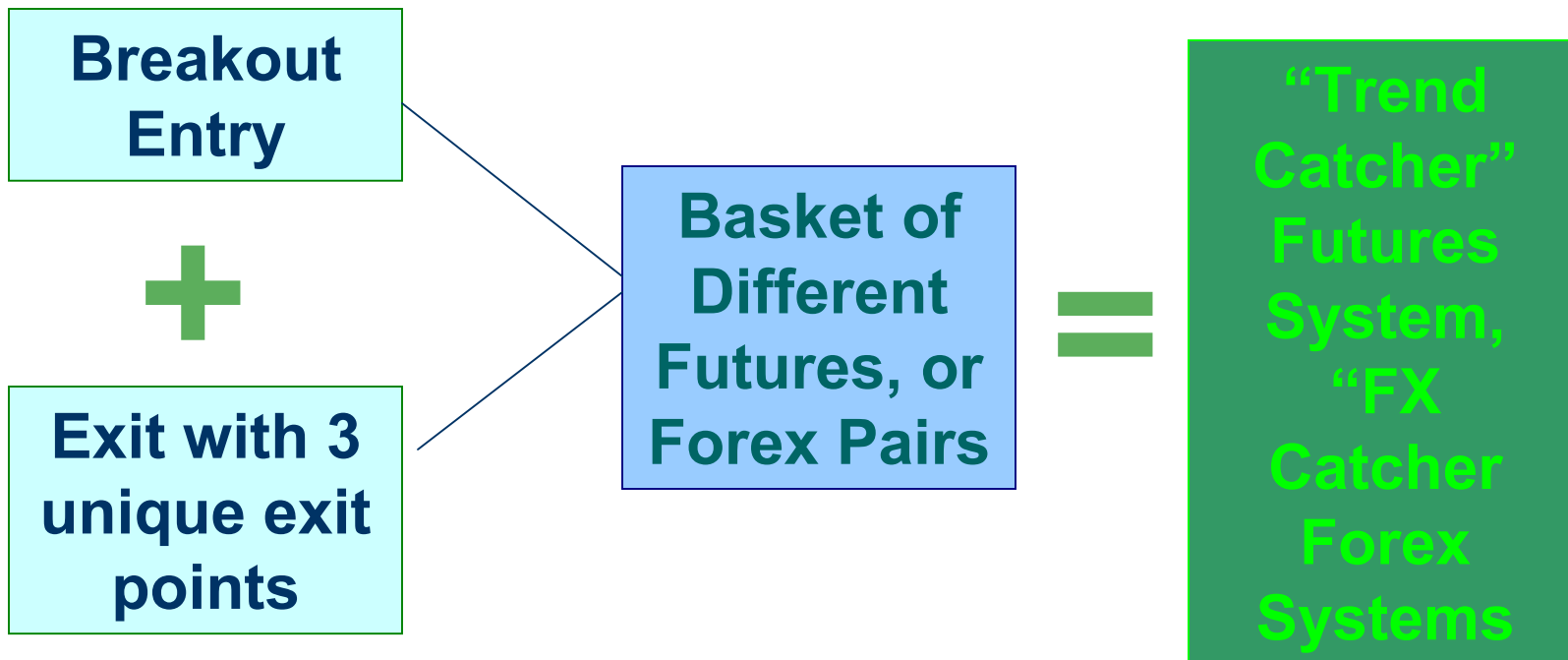


Step 2 – Find a Strategy

- **Detailed Development – Trend Catcher (futures), FX Catcher (Forex)**
 - **Determine Basic System**
 - Trend Following, Some Quick Counter Trend Aspects
 - **Determine Indicators**
 - X day Breakout, RSI Oscillator Confirmation
 - **Optimize Results**
 - Only the Best Performing & Liquid Markets Were Chosen
 - Trend Catcher – C, CD, CL, CT, ED, FV, HG, KC, NK, JY, TY
 - FX Catcher – 7 different popular pairs
 - **Forward Walk Testing**
 - System Verified with Price Data it Had NEVER Seen!
 - **Monte Carlo Testing**
 - Random Tests to Establish Money Management Technique

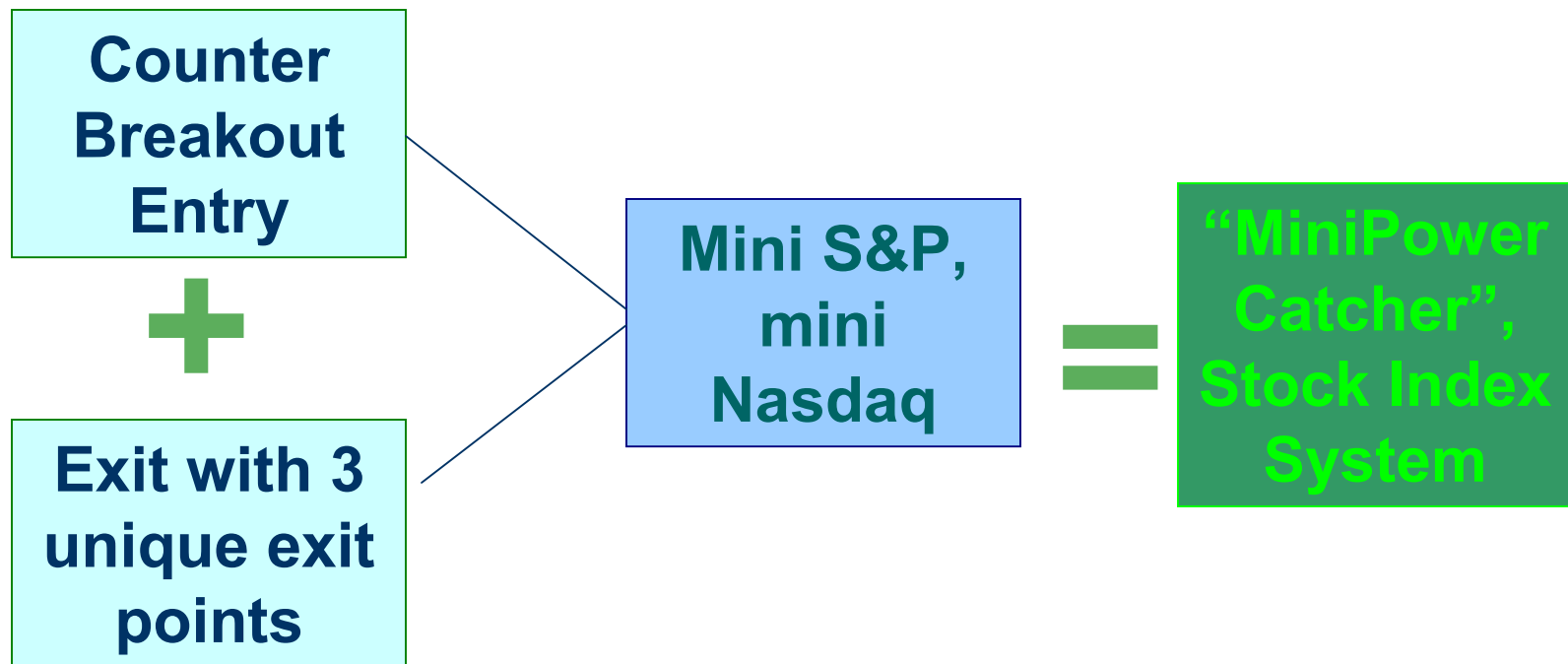
Strategy Development

Put it All Together...



Strategy Development

Put it All Together...



Step 2 – Find a Strategy



Canadian Dollar
\$4,860 Profit !

Coffee
\$15,746 Profit !



Step 2 – Find a Strategy

USDCHF
Take Losses
Quickly

(2 trades,
640 SF loss)



Step 2 – Find a Strategy

- **How YOU Can Do It...**

- **Skill Assessment**

- Can you develop your own system? (not many people can), Can you follow an advisor? (some people always overrule a proven system)

- **Research**

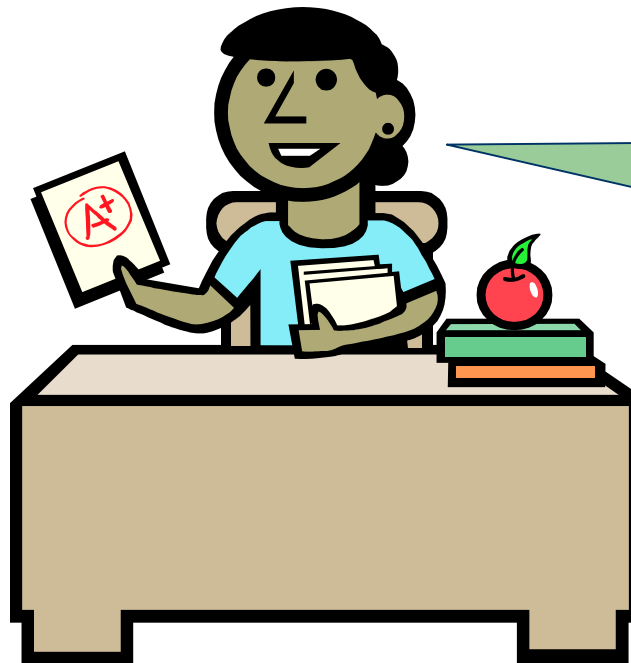
- Read intro books, *Futures Magazine*, see what is out there

- **Detailed Development**

- Learn more about systems you might want to trade (Trader's Online Expo is an excellent example!)



Step 3 – Check & Double Check



Before You Start Trading With Your Hard Earned Money, Make Sure You Verify Everything!

Step 3 – Check & Double Check

- How I Did it...

- I Checked For Programming Errors

- I spent hours verifying and checking results – results that seemed too good to be true probably were!

- I Created a “Mirror” System

- I switched buy and sell signals – “mirror” system should perform just as bad as initial system was good



www.worldcupadvisor.com



www.kjtradingsystems.com

Step 3 – Check & Double Check

- **How YOU Can Do It...**
 - **Don't Rely Just on Advisor's Literature**
 - Look for independent verification (for example, worldcupadvisor.com)
 - **CTA? – check compliance at nfa.futures.org**
 - **Look For Real-Time Actual History**
 - Don't fall for “hypothetical” results masquerading as real results
 - All my actual trades are shown on worldcupadvisor.com

Step 4 – Executing Your Strategy

- Determine Level of Involvement
- Find a Good Broker
- “Pull The Trigger”



Many People Get This Far, But
Then Become Afraid to “Pull
The Trigger!”

Step 4 – Executing Your Strategy

- **How I Did It...**

- **Determine Level of Involvement**

- Do analysis, enter trades at night, early morning
 - Monitor markets during day, watch and observe

- **Find a Good Broker**

- I found broker with good trading platform, **EXCELLENT** trade support, **SUPERB** customer service

- **“Pull The Trigger”**

- Once I believed and had faith in my systems, executing trades was easy

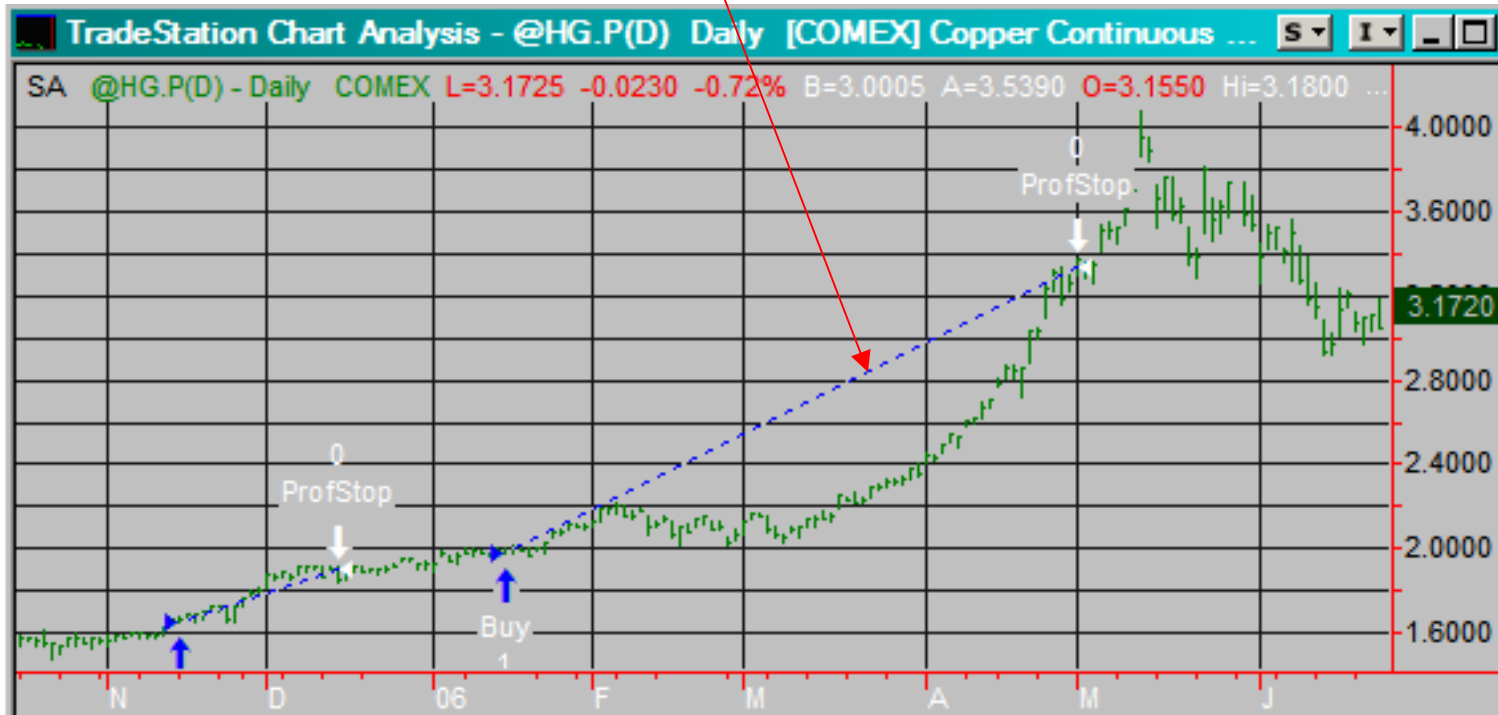
Step 4 – Executing Your Strategy



Copper at Multi-Year High...should I follow signal?...**YES – FOLLOW SYSTEM!**

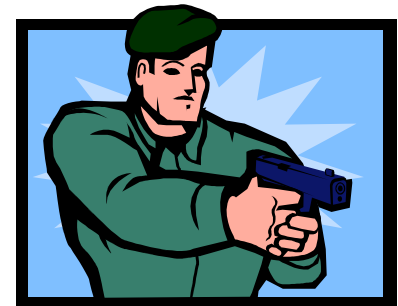
Step 4 – Executing Your Strategy

\$34,000 profit for 1 contract!



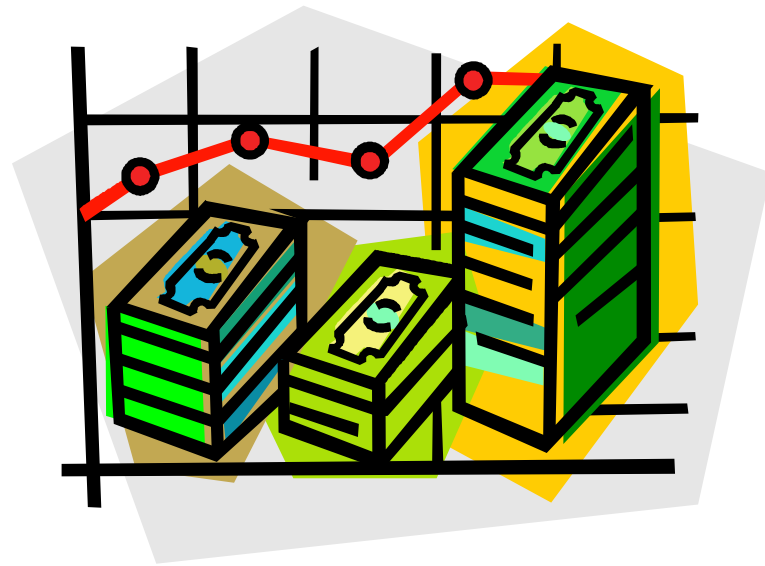
Step 4 – Executing Your Strategy

- **How YOU Can Do It...**
 - **Determine Level of Involvement**
 - Don't sign up for a day trading system if you have a day job!
 - **Find a Good Broker**
 - Find a broker that knows the system you want to follow, has experience with it
 - **“Pull The Trigger”**
 - “Auto Trade” services take the trade-taking stress out of your hands!



Step 5 – Monitor and Adjust

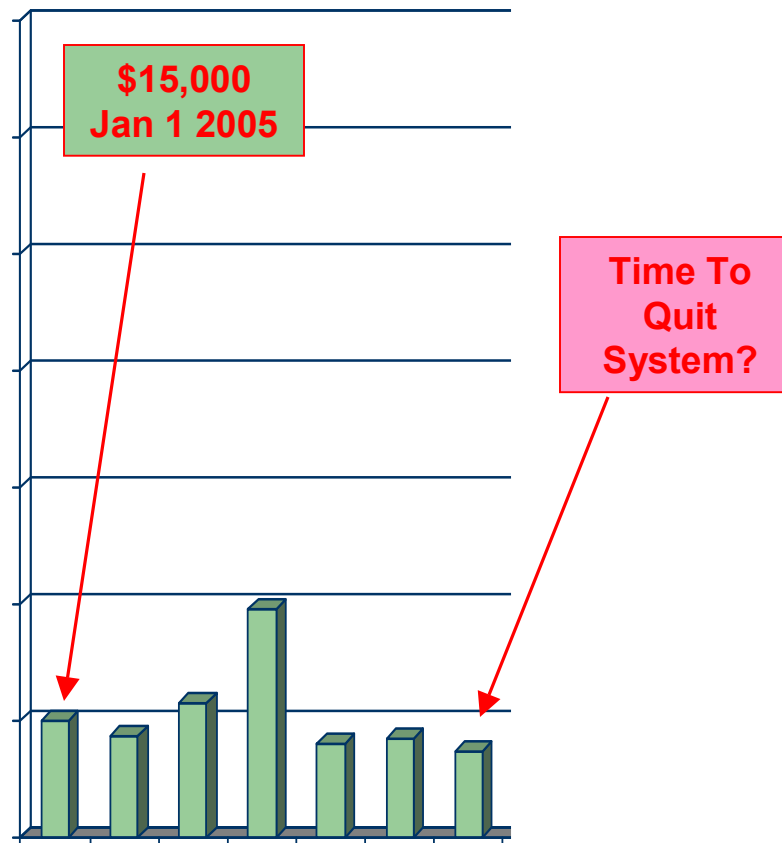
- Is Your System In Control?
- Is Your Trade Execution in Control?



Most people do not give a system enough of a chance

Step 5 – Monitor and Adjust

What would have happened if I had abandoned Trend Catcher in mid 2005?

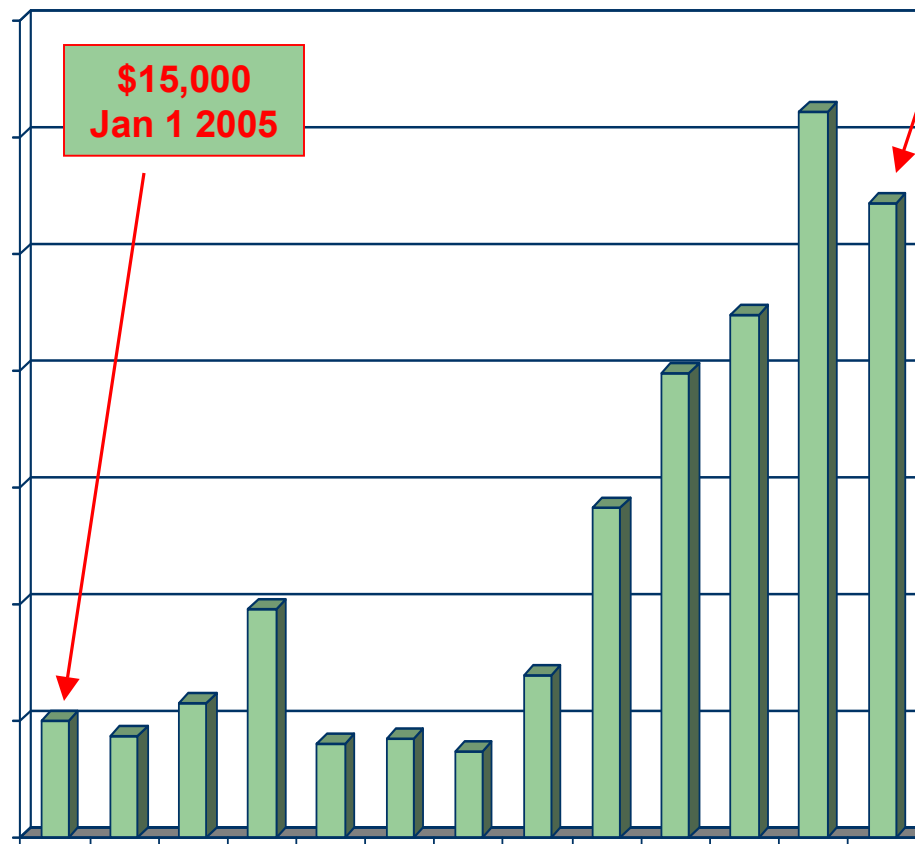


Step 5 – Monitor and Adjust

\$37,203
Dec 31 2005

What would have happened if I had abandoned Trend Catcher in mid 2005?

It would have been a **BIG MISTAKE!**



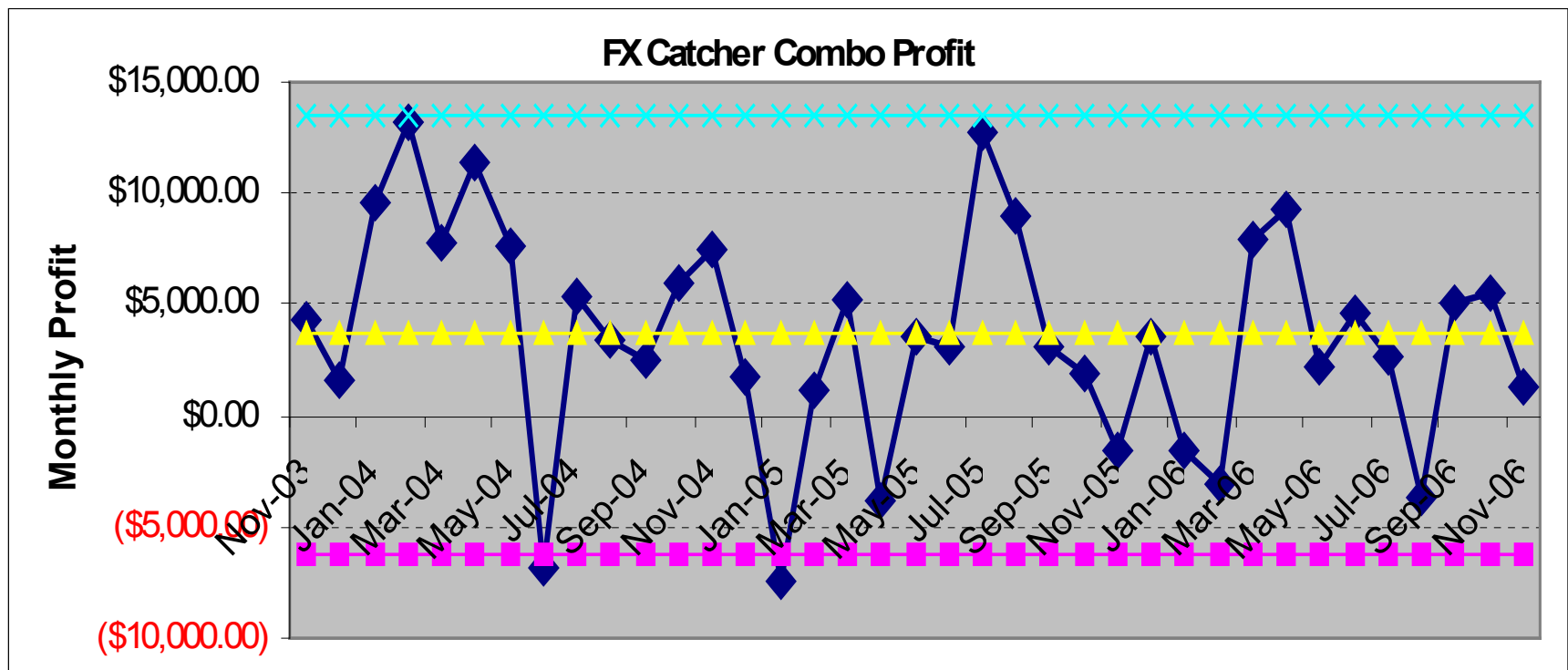
Step 5 – Monitor and Adjust

- **How I Did It...**
 - **Review System Performance Regularly**
 - Is system performing as it should?
 - Use Statistical Process Control (SPC)
 - **Review Trade by Trade Performance**
 - Do I get bad fills in some markets?
 - **Keep Trade Journal**
 - Record thoughts, feelings, frustrations



Step 5 – Monitor and Adjust

- If Statistical Process Control (SPC) works for manufacturers, it can work for you!

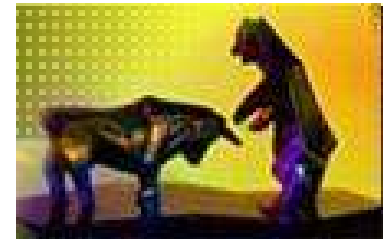


Step 5 – Monitor and Adjust

- **How YOU Can Do It...**
 - **Review System Performance Regularly**
 - Is system performing to your expectations?
 - Does system still meet my objectives?
 - **Don't Give Up Too Quickly**
 - Abandon system **ONLY** when it clearly doesn't/won't meet your objectives
 - If you quit any system before 6 months, you will probably have quit too soon – **GIVE IT TIME!**

5 Steps to Trade Like a Champ

- **Step 1: Have a Plan**
- **Step 2: Find a Strategy**
- **Step 3: Check and Double Check**
- **Step 4: Execute Your Strategy**
- **Step 5: Monitor and Adjust as Necessary**



Bull and Bear Trophy,
Given to World Cup
Winners

5 Steps To World Cup Champion

- **How Long Will It Take?**
 - If you are developing your own system, plan on 6 months to 1 year for system development, from start to finish
 - If you are buying a system, or following an advisor, it might take 0 to 3 months for research, due diligence
 - **Key: have comfort level to stick with system for 6 months**
- **Do You Have the Time & Dedication to Develop Your Own System?**
 - Maybe it makes more sense to follow a proven winner

For More Information

- www.worldcupadvisor.com **WorldCupAdvisor.com**
 - FREE Trade history results
 - General information on traders, systems
 - FREE Webinars
- www.kjtradingsystems.com
 - FREE Videos on all systems I trade
 - Trading blog
 - FREE Articles, recommended reading lists

KJ Trading Systems
Futures & Forex Systems

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 Me Today! May All
Your Trades Be Profitable, and All
Your Systems Be Winners!**

