

# KJ Trading Systems

**“Crush The Competition”**



**With a Strategy Factory**

**By Kevin J. Davey**

[www.kjtradingsystems.com](http://www.kjtradingsystems.com)

# Today's Agenda

- Who Am I?
- Be a Crusher!
- Questions and Answers
- Gold System Giveaway
- Autographed Book Giveaway during the webinar



# Disclaimer

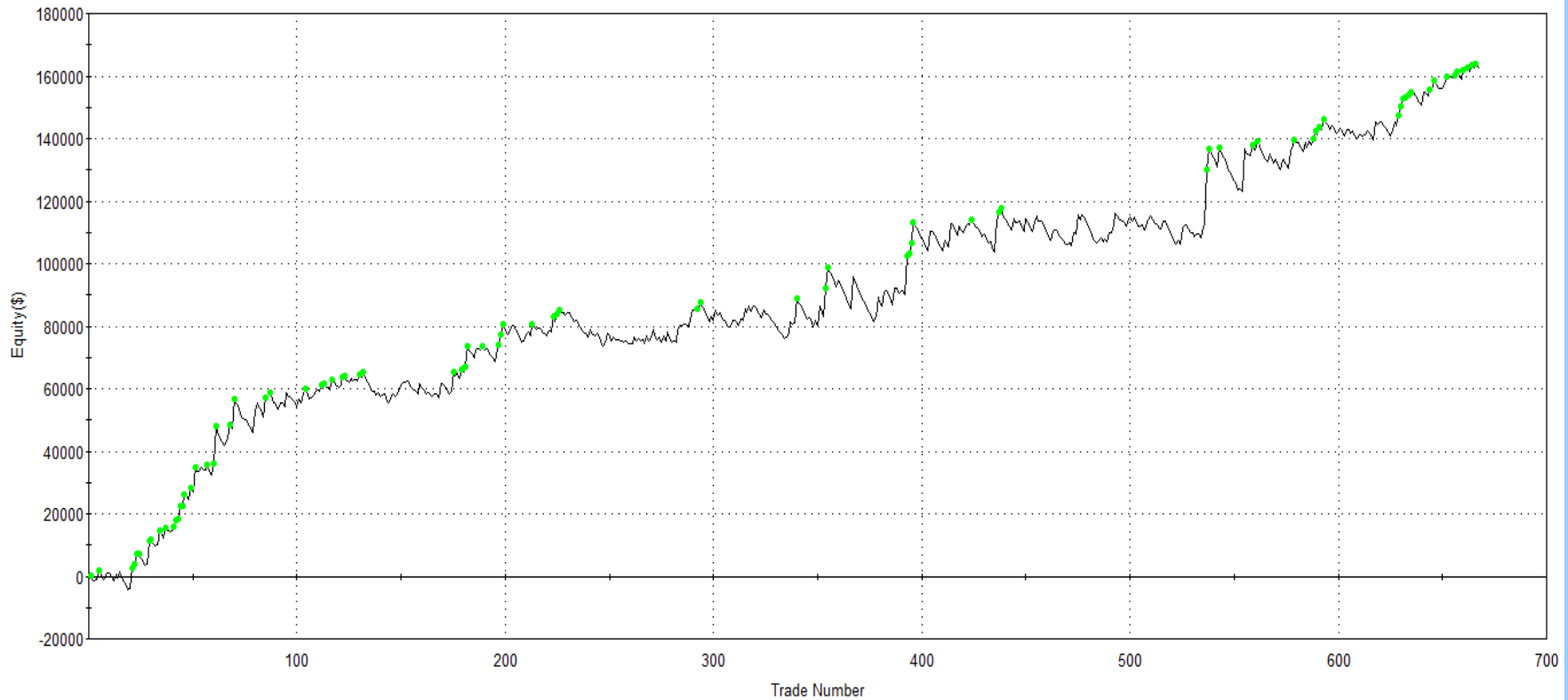
**U.S. Government Required Disclaimer - Commodity Futures Trading Commission states: Futures and Options trading has large potential rewards, but also large potential risk. You must be aware of the risks and be willing to accept them in order to invest in the futures and options markets. Don't trade with money you can't afford to lose. This is neither a solicitation nor an offer to Buy/Sell futures, stocks or options on the same. No representation is being made that any account will or is likely to achieve profits or losses similar to those discussed in this document. The past performance of any trading system or methodology is not necessarily indicative of future results.**

**CFTC RULE 4.41 - HYPOTHETICAL OR SIMULATED PERFORMANCE RESULTS HAVE CERTAIN LIMITATIONS. UNLIKE AN ACTUAL PERFORMANCE RECORD, SIMULATED RESULTS DO NOT REPRESENT ACTUAL TRADING. ALSO, SINCE THE TRADES HAVE NOT BEEN EXECUTED, THE RESULTS MAY HAVE UNDER-OR-OVER COMPENSATED FOR THE IMPACT, IF ANY, OF CERTAIN MARKET FACTORS, SUCH AS LACK OF LIQUIDITY. SIMULATED TRADING PROGRAMS IN GENERAL ARE ALSO SUBJECT TO THE FACT THAT THEY ARE DESIGNED WITH THE BENEFIT OF HINDSIGHT. NO REPRESENTATION IS BEING MADE THAT ANY ACCOUNT WILL OR IS LIKELY TO ACHIEVE PROFIT OR LOSSES SIMILAR TO THOSE SHOWN.**

# Sneak Preview

- Gold System – All Rules Disclosed

Equity Curve Line - @GC 15 min.(01/01/08 18:15 - 09/29/14 12:15)



# Who Am I?

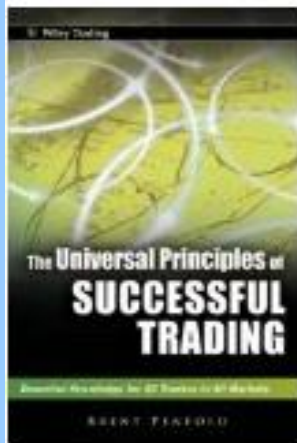
- **FULL TIME TRADER**, part time writer/consultant
- 20+ years trading experience
- 1<sup>st</sup> or 2<sup>nd</sup> Place – **Worldwide Trading Contest**– 3 years straight
  - Over 100% annual return each year



[www.kjtradingsystems.com](http://www.kjtradingsystems.com)

# Who Am I?

- Profiled as “Market Master”



**“The Universal Principles of Successful Trading”**  
**By Brent Penfold (Wiley 2010)**

- “kevinkdog” on [bigmiketrading.com](http://bigmiketrading.com)

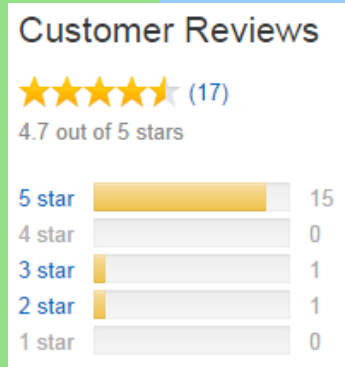
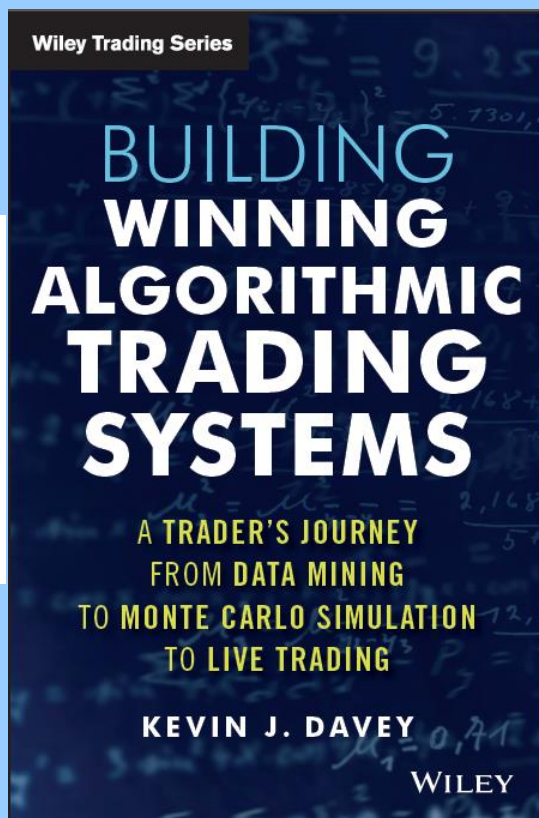
**kevinkdog** ●

Market Wizard  
Cleveland Ohio/United States

Trading Experience: Advanced  
Platform: Tradestation  
Broker/Data: various  
Favorite Instrument: futures

Posts: 1,566 since Jul 2012  
Thanks: 687 given, 2,512 received  
Forum Reputation: Legendary

# Author



"This is a very impressive book."

—**Dr. Van K. Tharp**

"This book is a must read!" —

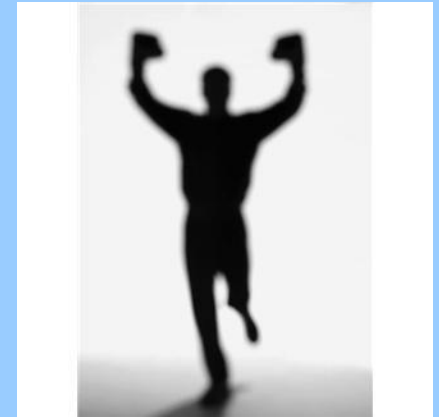
**Andrea Unger, Trading  
Contest Winner 2008, 2009,  
2010, 2012**

"I highly recommend this book to  
all traders..."

—**Kurt K. Sakaeda, Trading  
Contest Winner 2000 and  
2004**

# Today's Talk

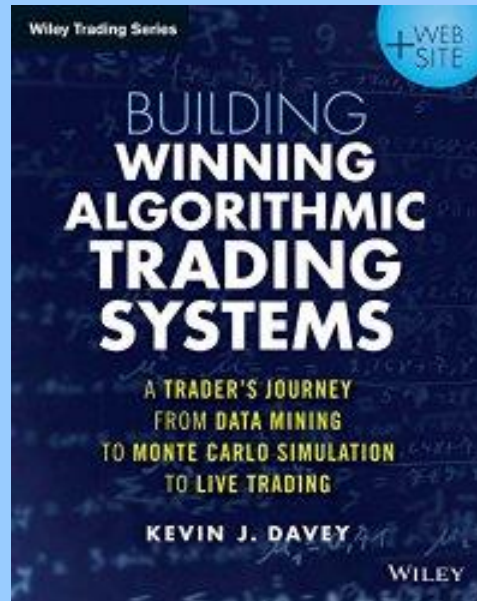
- Listen carefully to today's presentation, because at various times I will be giving away my book – but you must answer the question correctly, in the right order!
- Thanks to Wiley Finance for providing the books!
- [www.wiley.com](http://www.wiley.com)





# Book Giveaway

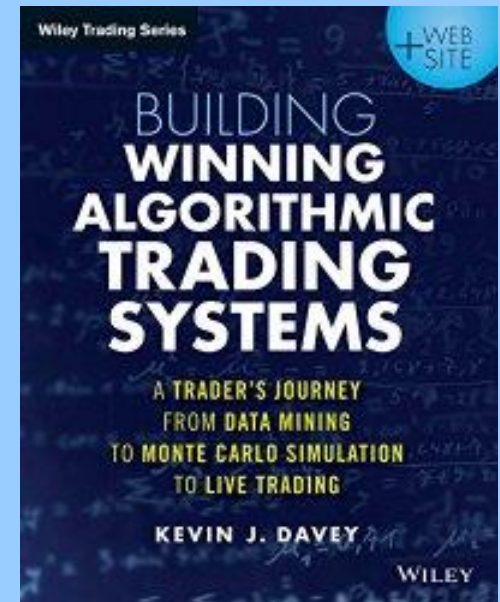
- Autographed copy of my book to the 3<sup>rd</sup> correct answer...



[www.kjtradingsystems.com](http://www.kjtradingsystems.com)

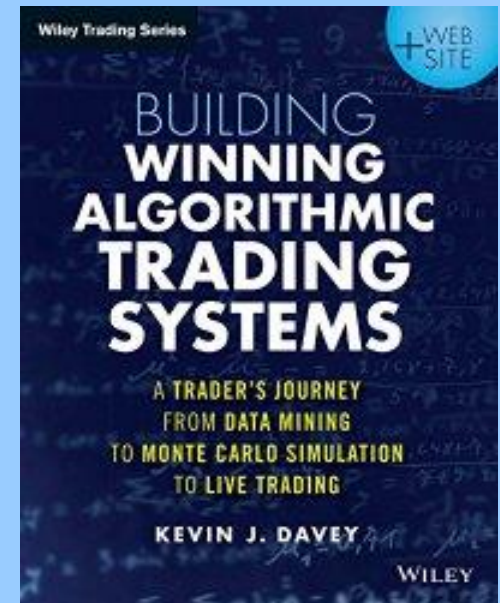
# Book Giveaway

- How many consecutive years did I achieve 100%+ annual return in the real money Futures Trading Contest?



# Book Giveaway

- How many consecutive years did I achieve 100%+ annual return in the real money Futures Trading Contest?
- Three years in a row!



# Crush Competition-Strategy Factory

**Why do you need one?**

**How do you get one?**

# Crushing the Competition

**What do many “gurus”  
say about trading?**

# Crushing the Competition

- “Guru” speak:
  - “My system is unbeatable”
  - “I cracked the code”
  - “So simple – only 15 minutes a day!”



# Crushing the Competition

- They want you to believe their “special” trading system is the only way to make profits
- **What if they are wrong???**



# Crushing the Competition

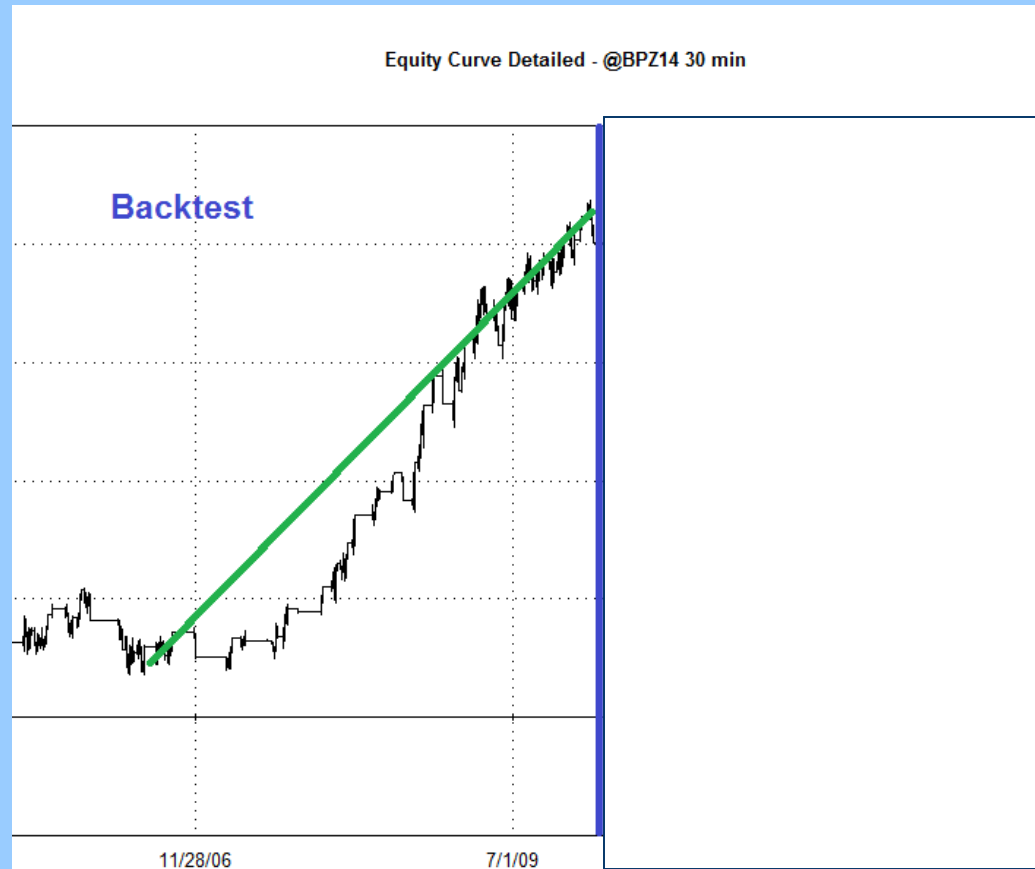
- The simple fact is that you cannot rely on only one trading system, strategy, or method!
- Why Not ?!?!?!?





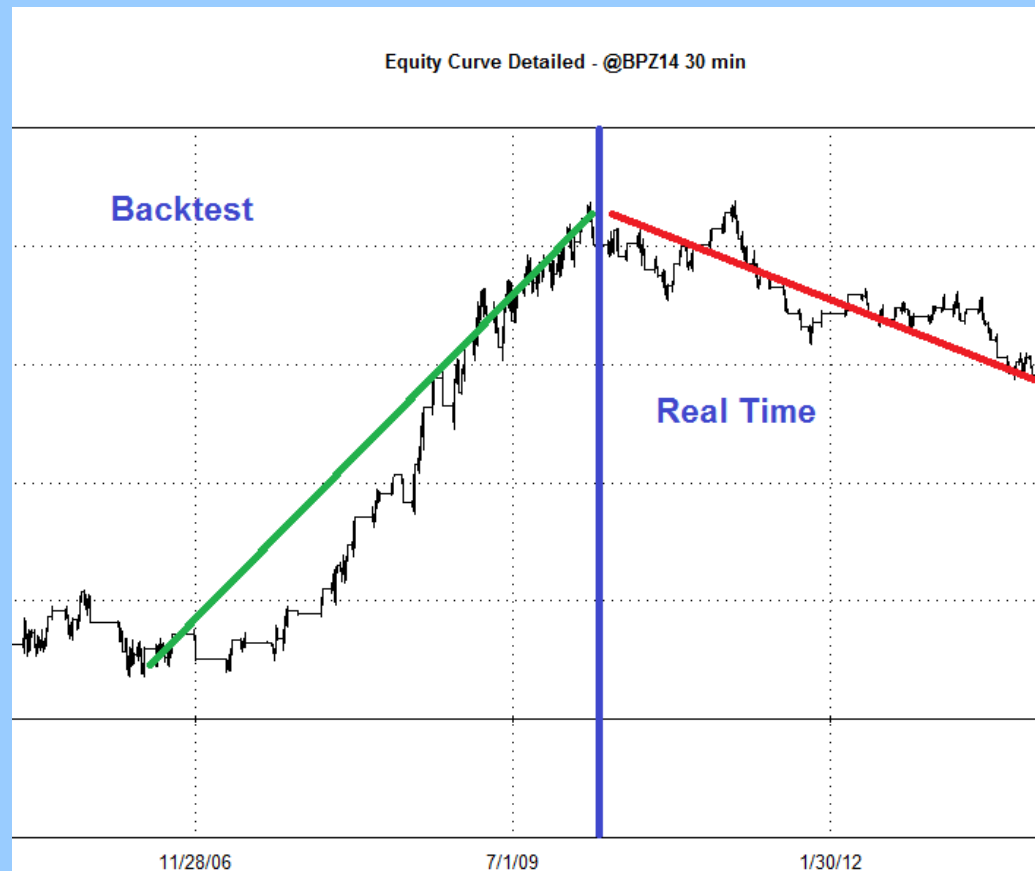
# Relying on One Strategy

- What if This is Your System?



# Relying on One Strategy

- What if the strategy backtests good, but falls apart in the real world?



# Opportunities Come and Go

- What if you traded only the Euro?



# Opportunities Come and Go

- Or Crude, or mini S&P ?



# Relying on One Strategy

- If you want to rely on one strategy....
  - You better hope your strategy is great
  - You better hope the system developer did not cheat
  - You better hope market does not change
  - You better hope no one knows about it!

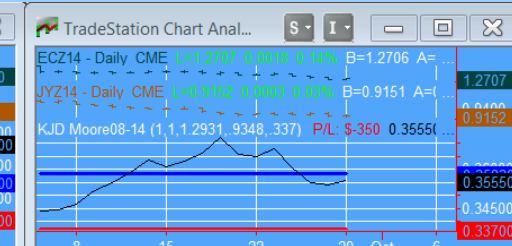
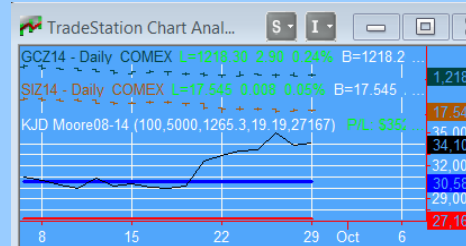
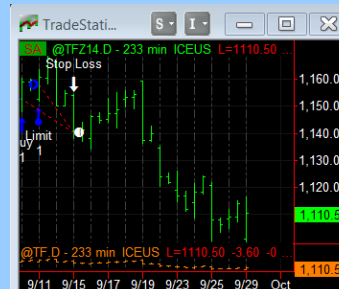
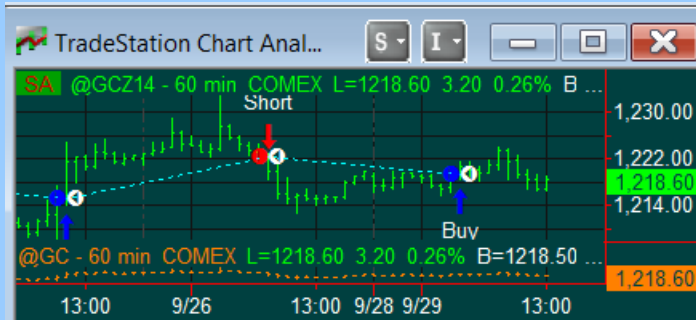
# Relying on One Strategy

- That's a little too much **hoping** for me!

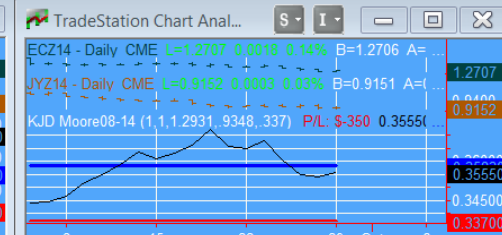
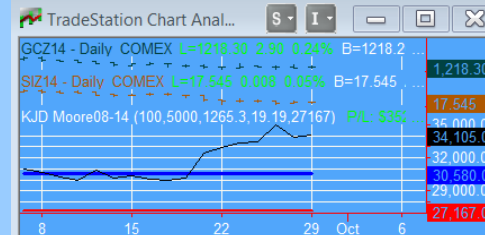


# My Solution

- I trade numerous strategies



# My Solution



- If 1 underperforms, I just replace it



# My Solution

- No more worrying or panic –  
“did I pick the right strategy?”



- I’ve created a **Strategy Factory**  
to develop trading systems

# My Solution

- What are keys to the Strategy Factory approach?



# My Solution

- **What are keys to the Strategy Factory approach?**
  - **Multiple markets**
  - **Multiple strategies**
  - **Uncorrelated strategies**
  - **Utilize proper development process**

# My Solution

- **What are keys to this approach?**
  - **Multiple markets**
    - **Take advantage of whatever market gives you the most opportunity**
    - **You can never predict which market will “pop” next, so be ready to trade them all!**

# My Solution

- What are keys to this approach?
  - Multiple strategies
    - If you have one strategy, and the market “figures it out,” you are in trouble!
    - Try some trend following, some counter trend, some mean reversion
    - Trade futures, spreads, options, etc.

# No Strategy Lasts Forever

- “Buy and Hold” Died in 2009



# No Strategy Lasts Forever

- **Thousand of traders looking for strategies every day**
  - **Even if you find one, chances are someone else will too**
  - **When more people trade your “edge,” it eventually disappears**

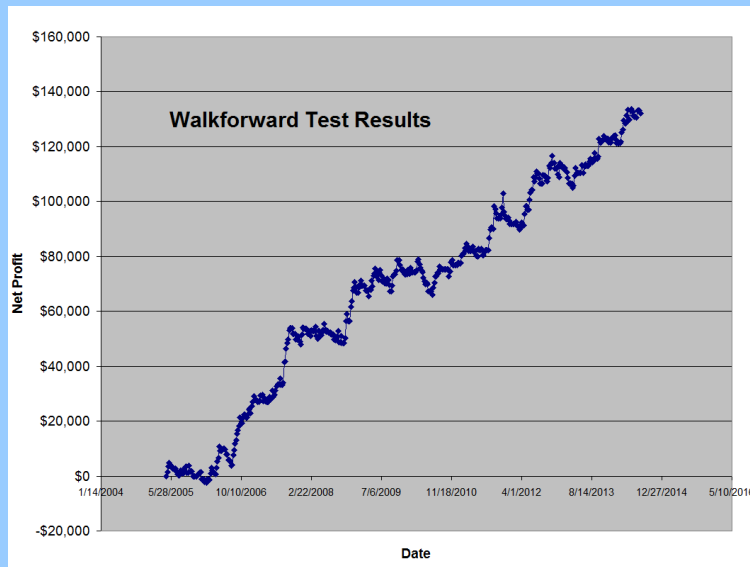
# My Solution

- What are keys to the Strategy Factory approach?
  - Uncorrelated strategies (diversification)
    - **Diversification is the big secret almost no ones talks about!**
    - **Closest thing I have found to a trading “Holy Grail”**

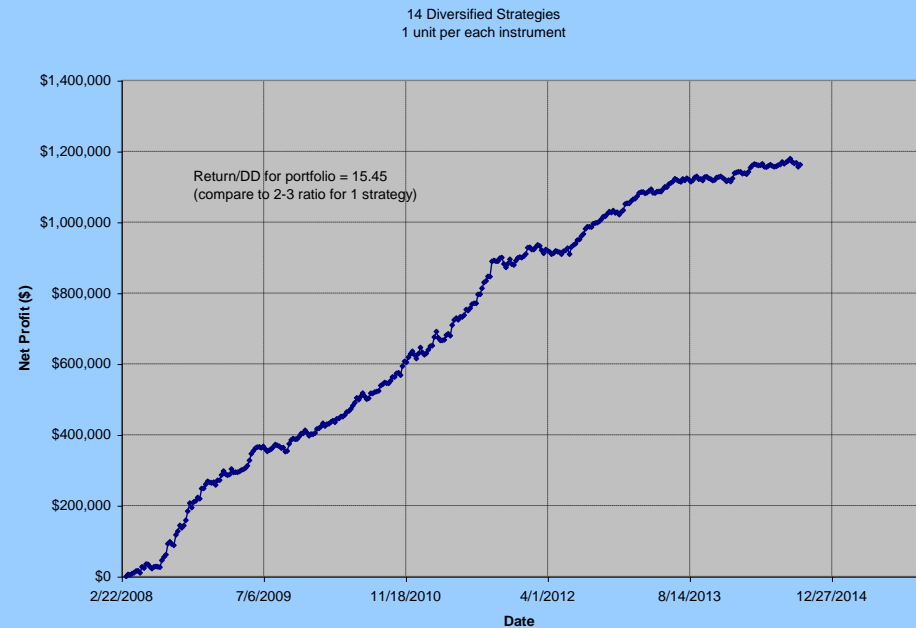


# My Solution

- What is trading diversification?



1 Strategy



14 Strategies

# My Solution

- What is trading diversification?
  - Trading different:
    - Strategies
    - Markets
    - Timeframes
  - **Key: each strategy should not be correlated to the others**

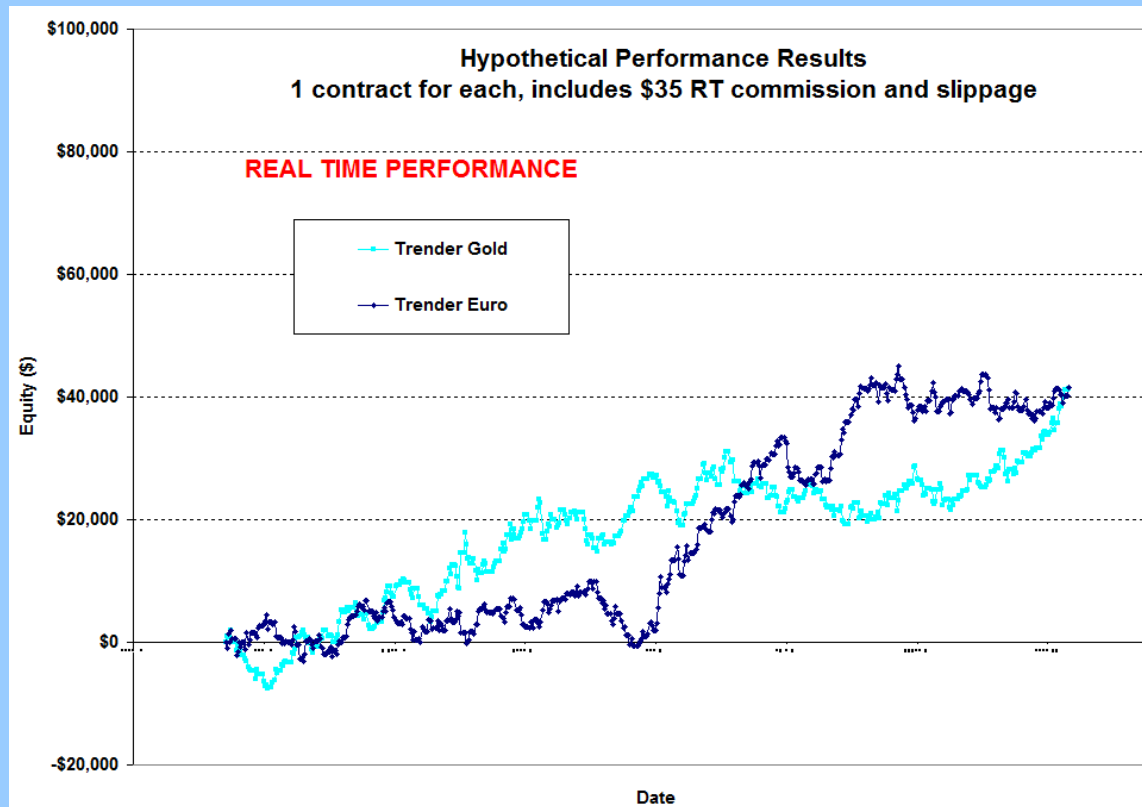
# Diversification – In Action

- **EXAMPLE: MULTIPLE FUTURES TRADING STRATEGIES**
- **Gold & Euro – uncorrelated**
- **Stats Traded Alone**

	<b>Gold</b>	<b>Euro</b>
<b>Profit</b>	\$41,410	\$41,512
<b>Max Drawdown</b>	\$11,830	\$10,377
<b>Profit/ Max DD</b>	3.5	4.0

# Diversification – In Action

- **EXAMPLE : MULTIPLE FUTURES TRADING STRATEGIES**



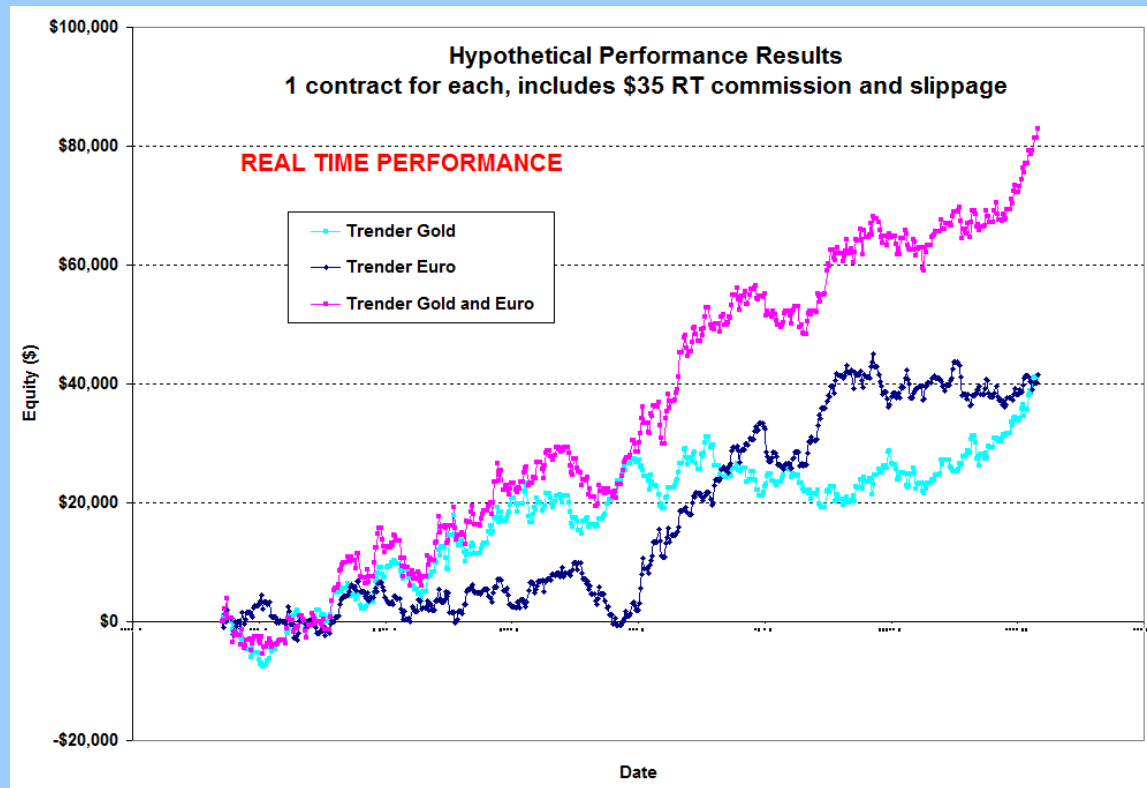
# Diversification – In Action

- EXAMPLE : MULTIPLE FUTURES TRADING STRATEGIES
- Gold & Euro -- uncorrelated
- Stats Traded Together

	Gold	Euro	Gold and Euro
Profit	\$41,410	\$41,512	\$82,922
Max Drawdown	\$11,830	\$10,377	\$10,002
Profit/ Max DD	3.5	4.0	8.3

# Diversification – In Action

- **EXAMPLE : MULTIPLE FUTURES TRADING STRATEGIES**



# Diversification – In Action

- **EXAMPLE : MULTIPLE FUTURES TRADING STRATEGIES**
- Net Profit doubles
- Max Drawdown actually decreases
- Profit/Drawdown ratio more than doubles
- Equity Curve is Smoother (note how pink curve is smoother than either of the other curves alone)

# Diversification – In Action

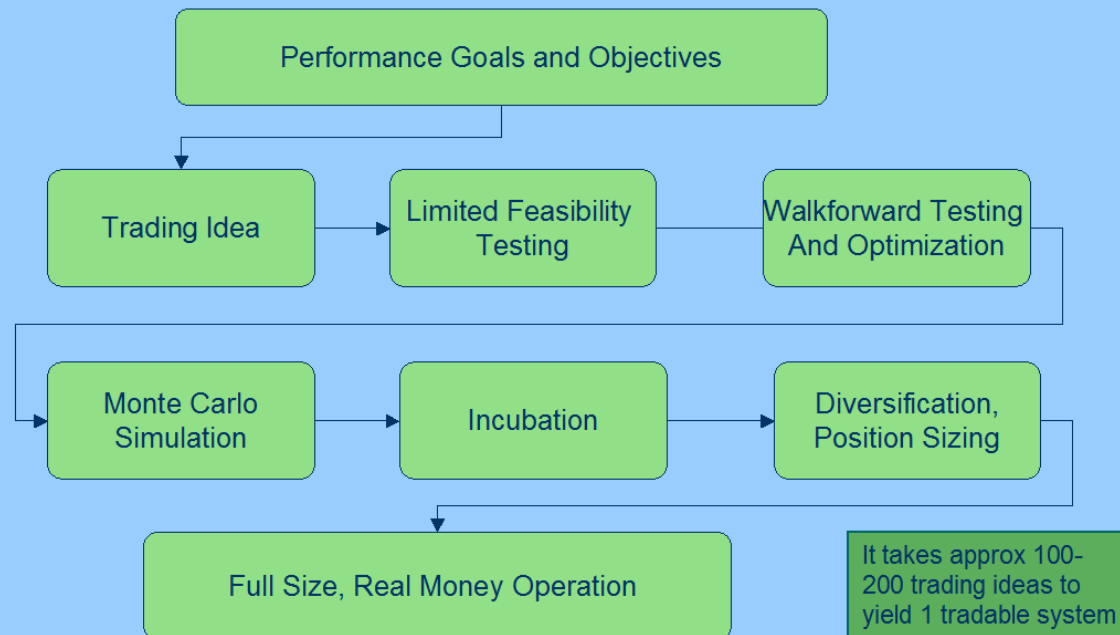
- Where Can This Lead?





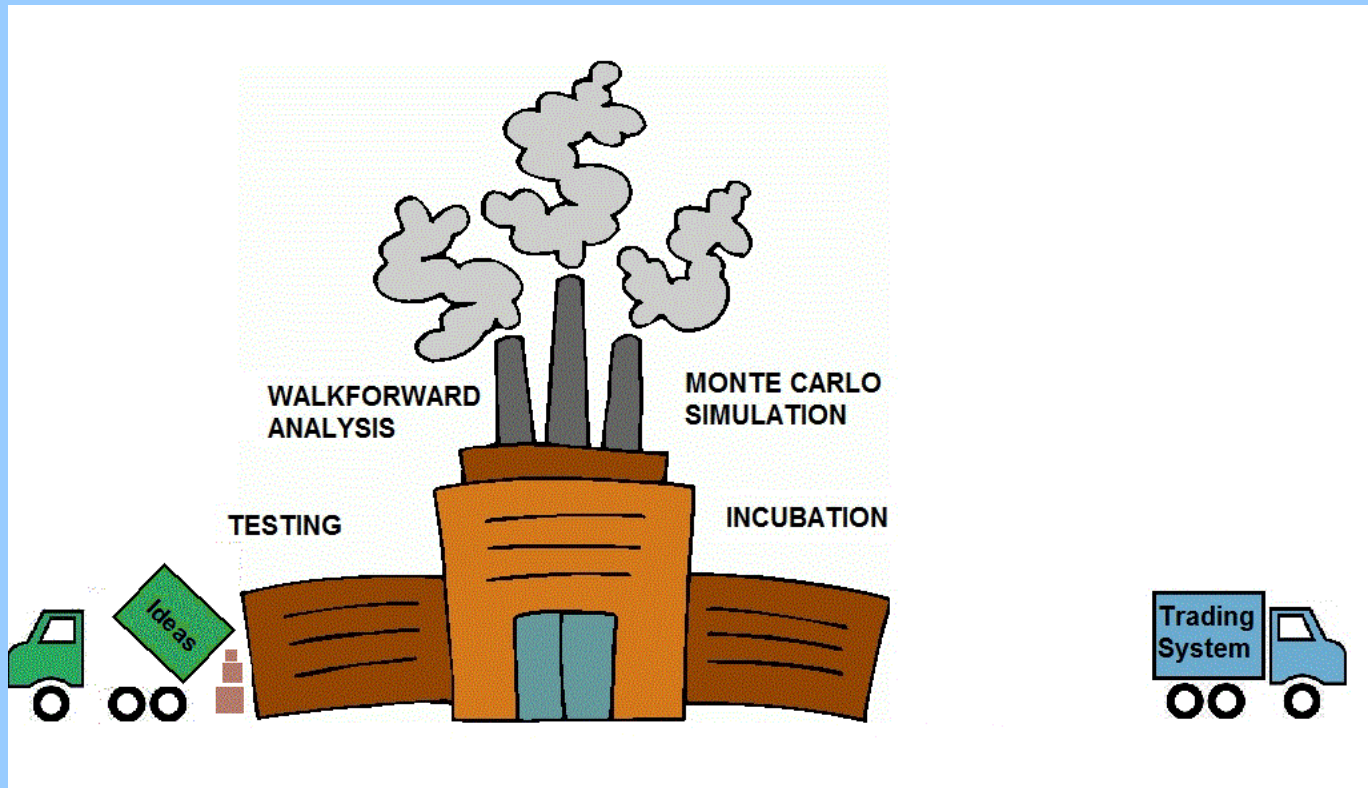
# My Solution

- What are keys to the Strategy Factory approach?
  - Proper Development Process



# My Solution

- Strategy Factory



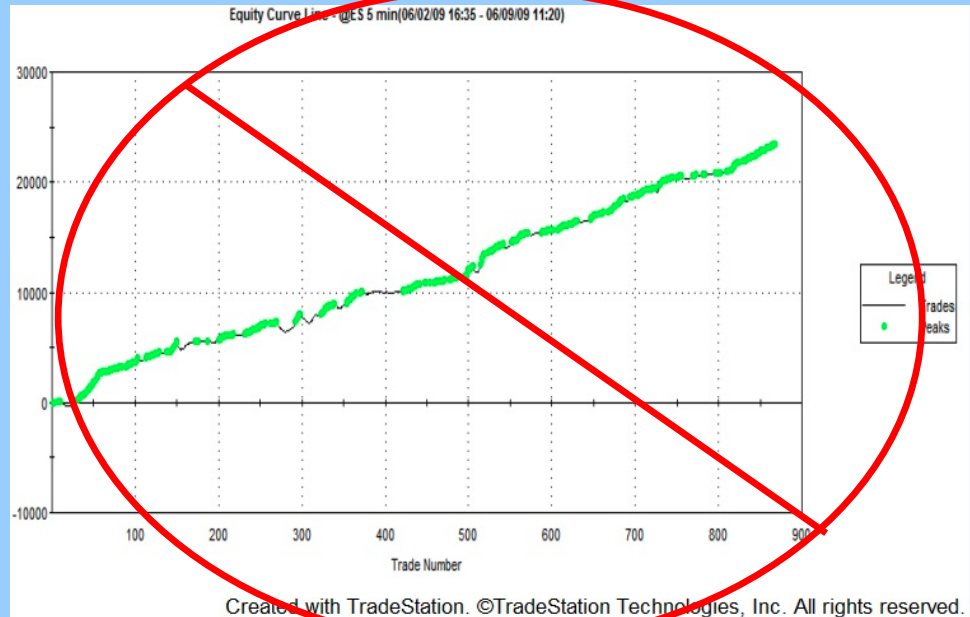
# My Solution

- **Build Your Own Strategy Factory**
  - **Create a solid process to test and evaluate strategies**
  - **Ideas come in, get transformed to strategies, either exit the factory as scrap or as tradable systems**

# Strategy Factory

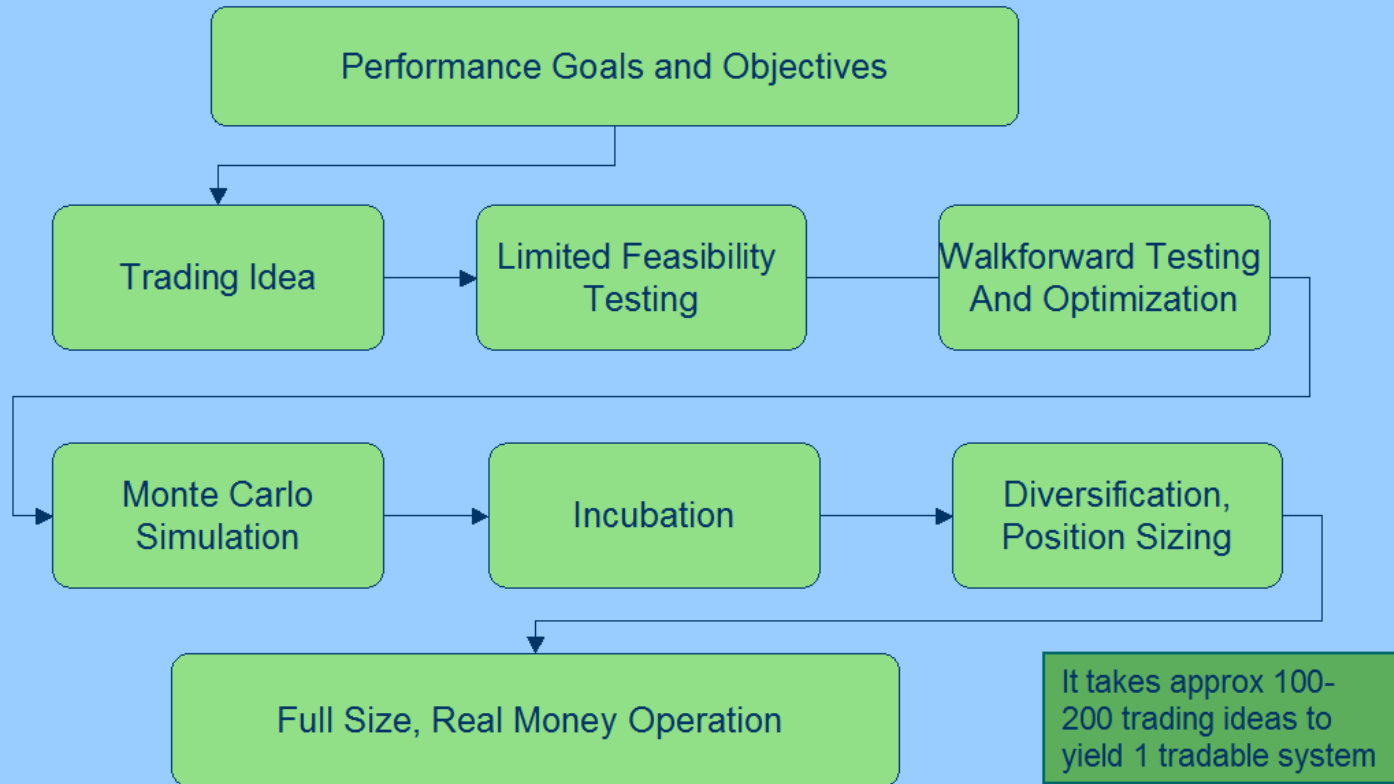
- The problem is...

**Most people don't know how to correctly develop a strategy!**



# My Solution

- This is my Development Process (feel free to use it!)



# How Can I Create Strategies?

- That's where I can help...
  - I'll teach you
    - How I create strategies that work
    - How to create strategies the RIGHT way
    - How you can begin creating your own strategies

# Strategy Factory Webinar

- **A full day, live, online class with no more than 5 students**
- **30 minutes one-on-one Skype time before and during the webinar**
- **6 months one-on-one e-mail support with Kevin**
- **3 Strategies ready to trade**

# The Strategy Factory Webinar

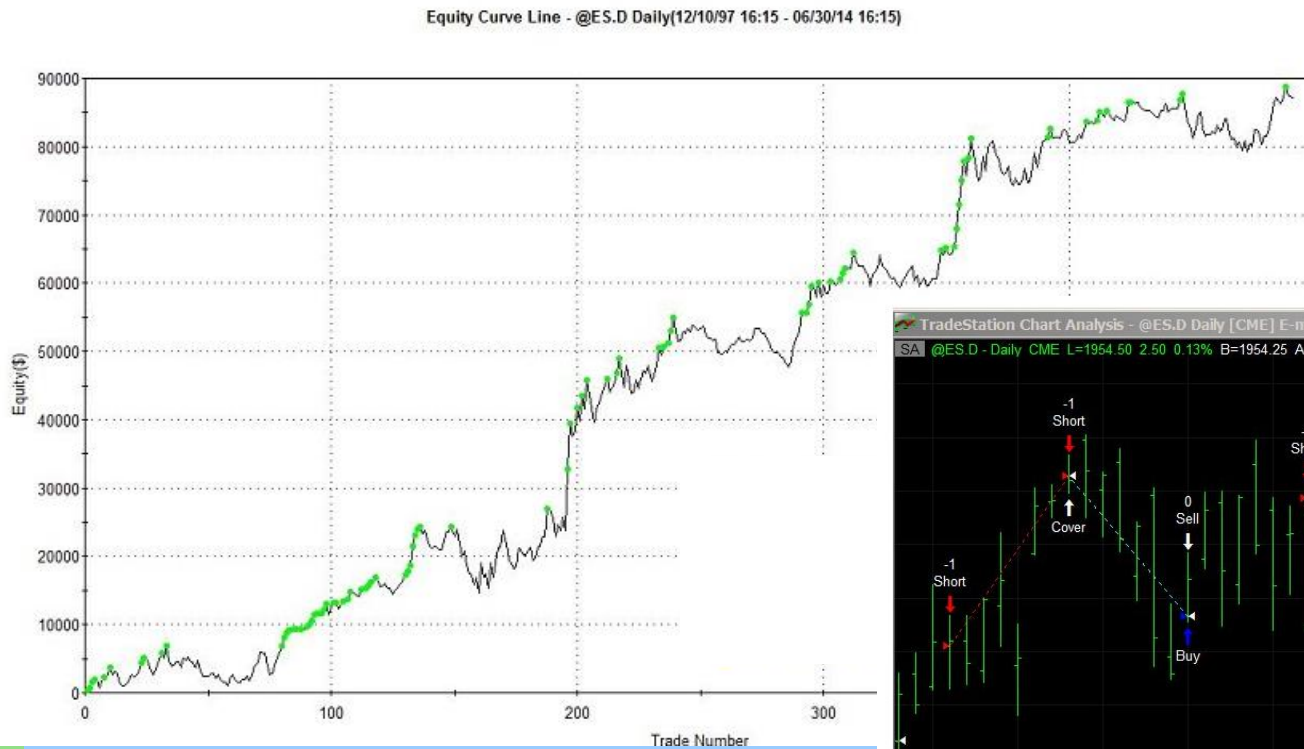
- How To Find Trading Ideas
- How To Properly Test a Strategy
- How To Evaluate - 10+ Ways to Evaluate a Trading System
- How To Build a Strategy
- Why Goals and Objectives Are CRITICAL to Your Success
- How To Test the Wrong Way
- Why You Need a Strategy Factory
- How to Select a Trading Software Package
- How To Recognize Testing Pitfalls
- How To Avoid 9 Terrible Mistakes I've Made in Trading
- Why You Won't Get Burned Again By Snake Oil Vendors
- How To Separate Trading Fiction From Trading Fact
- Who to Believe in Trading, and Who Not to Believe - And Why
- How to Look at an Equity Chart And Tell if it is Fake
- How To Test - 4 Ways of Testing a Strategy
- Why Monte Carlo Testing Can Rescue Your Trading
- How Incubation Helps Make You a Professional Trader



# Strategies Built With Strat Factory

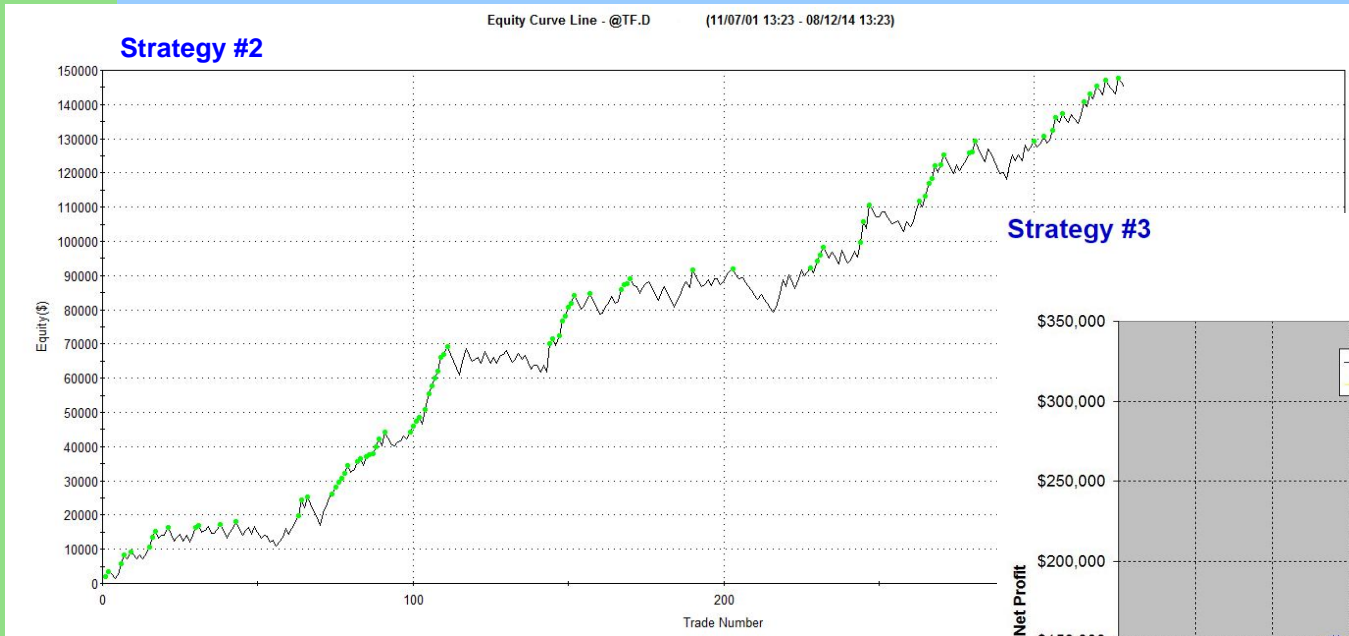
- 3 Working Strategies to Start With

## Strategy #1

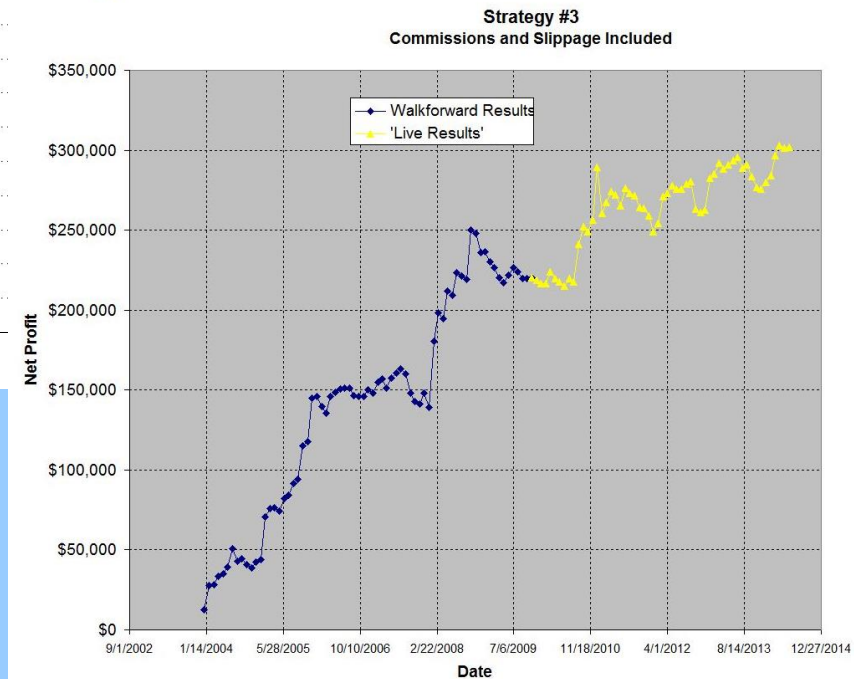


# Strategies Built With Strat Factory

- 3 Working Strategies to Start With



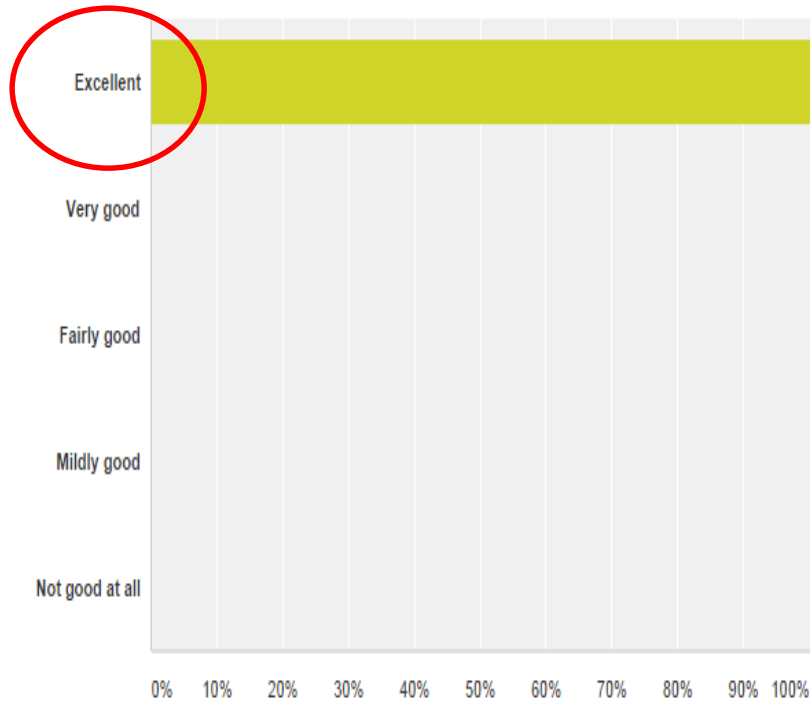
**Strategy #3**



# Survey Results

Overall, how would you rate the event?

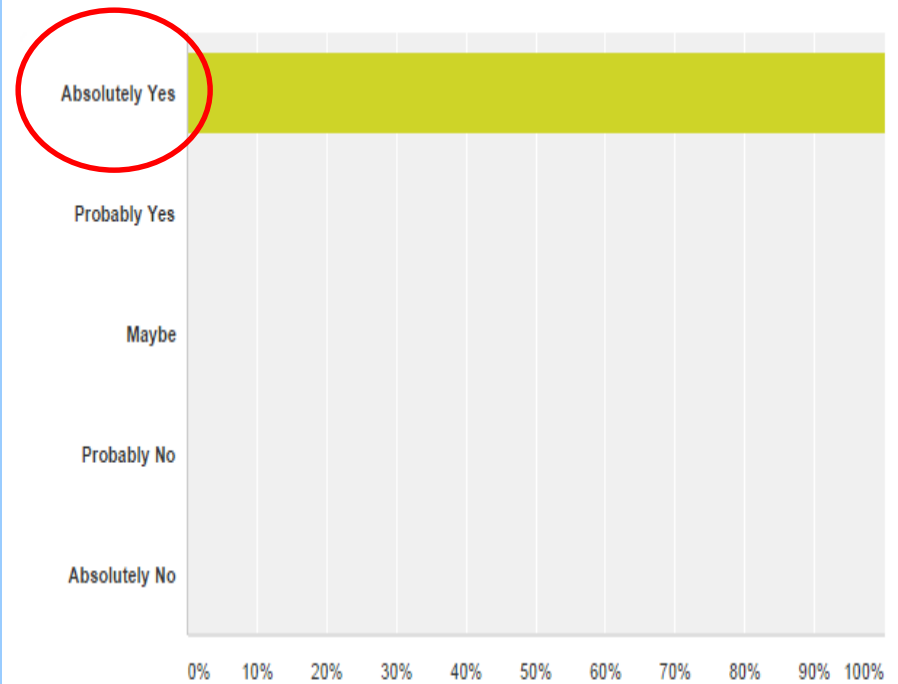
Answered: 8 Skipped: 0



Answer Choices	Responses
Excellent	100.00% 8

Would you recommend the webinar to a trader friend?

Answered: 8 Skipped: 0



Answer Choices	Responses
Absolutely Yes	100.00% 8

# Survey Results

*“**Great seminar!**, I walked away with a clear understanding of robust system development. With this information I can start creating, optimizing and testing systems right away. Conveyed realistic expectations. **Wish I had known this information 8 years ago when first started trading systems.**” - Keith O. California*

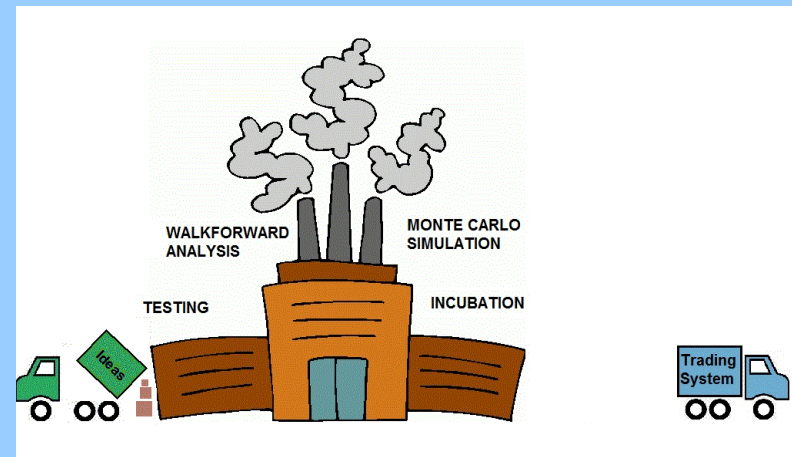
***Kevin's Seminar was very thorough.** I'm much more optimistic about my ability to trade algorithmic strategies. I now have the concepts and tools to make algorithmic trading possible. - Jonathan M Indiana, USA*

*The strategy factory is a simple, yet powerful concept because it gives you a systematic way to build and evaluate trading strategies. If you have the desire to develop algorithmic strategies and are willing to practice the skills in the development process, then Kevin's book and **webinar will give you a solid foundation for creating your own strategies.** – Attendee, Sept 19*

# Strategy Factory

- 3 Dates Open:

- ~~Thursday October 9<sup>th</sup>~~
- Saturday November 8<sup>th</sup>
- Thursday December 4<sup>th</sup>



Strategy Factory Webinar

August 21, 2014  
8AM - 4 PM ET

**SOLD OUT!!!**

Strategy Factory Webinar

September 19, 2014  
8AM - 4 PM ET

**SOLD OUT!!!**

Strategy Factory Webinar

October 9, 2014  
8AM - 4 PM ET

**SOLD OUT!!!**

**SPECIAL SATURDAY SESSION!!**

Strategy Factory Webinar

November 8, 2014  
8 AM - 4 PM ET

\$2,175 (after \$475 discount)



Strategy Factory Webinar

December 4, 2014  
8 AM - 4 PM ET

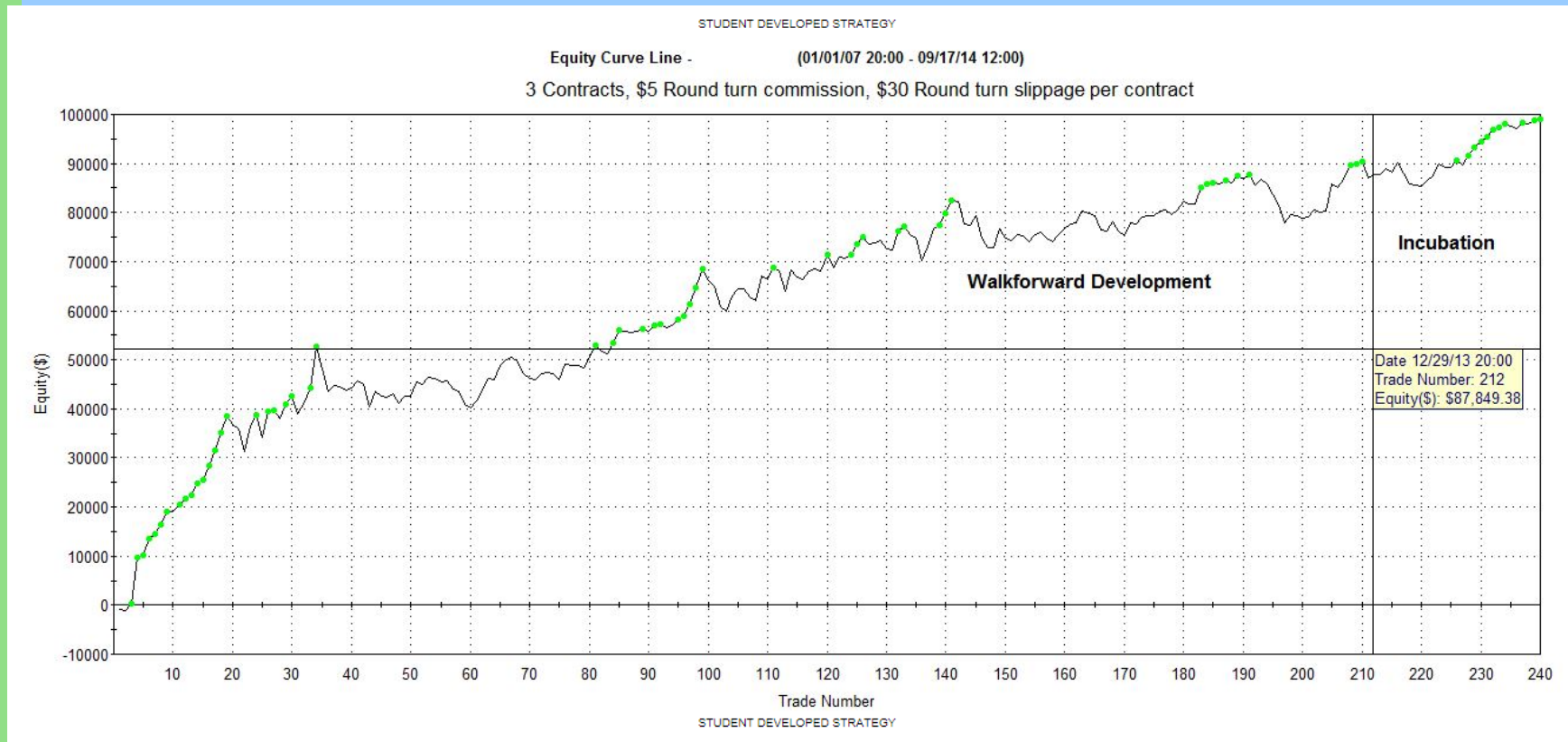
\$2,175 (after \$475 discount)



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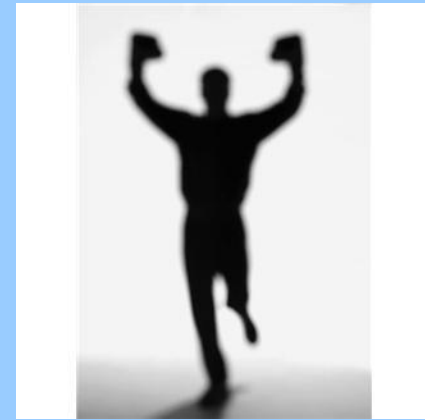
# Strategy Factory

- Less than 1 month after webinar, here is what a student created...



# Summary

- **Create a Strategy Factory, Crush the Competition**
  - **Multiple markets**
  - **Multiple strategies**
  - **Uncorrelated strategies (diversification)**
  - **Use Proper Development Process**



# Questions and Answers

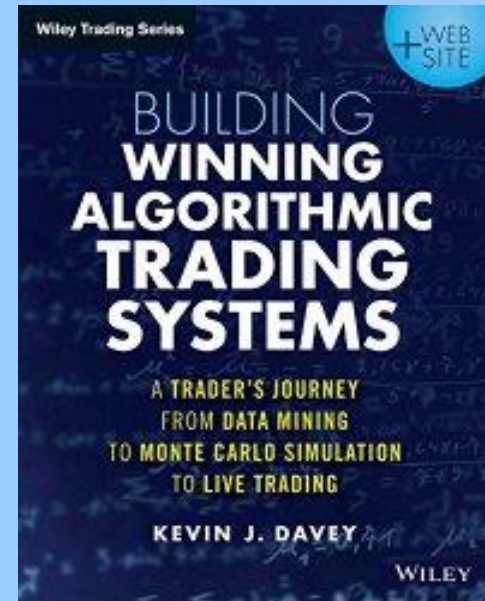


- **E-mail me at:** [kdavey@kjtradingsystems.com](mailto:kdavey@kjtradingsystems.com)
- **Strategy Factory, with BIG discount:**  
<http://www.kjtradingsystems.com/id199.html>



# Book Giveaway

- Autographed copy of my book to the 4th correct answer...

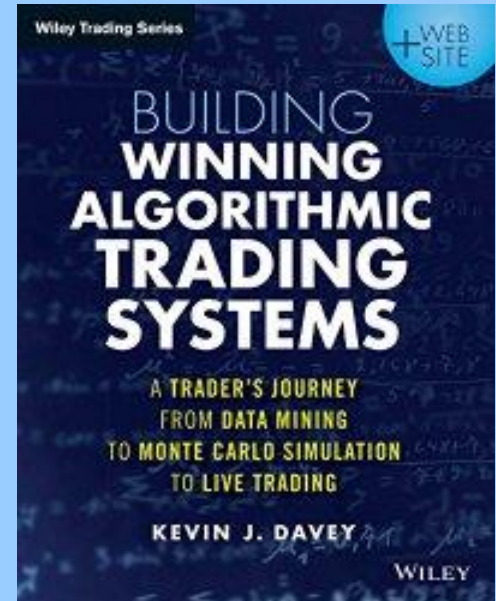


- **Strategy Factory, 18% discount:**  
<http://www.kjtradingsystems.com/id199.html>

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# Book Giveaway

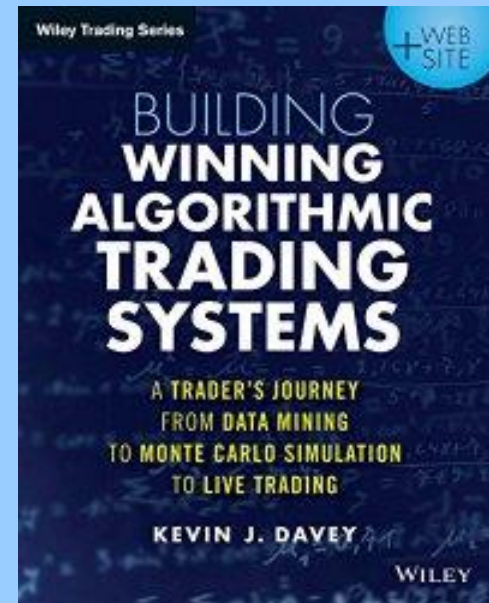
- **True or False -**  
**It is a good to trade multiple strategies, markets and timeframes**



# Book Giveaway

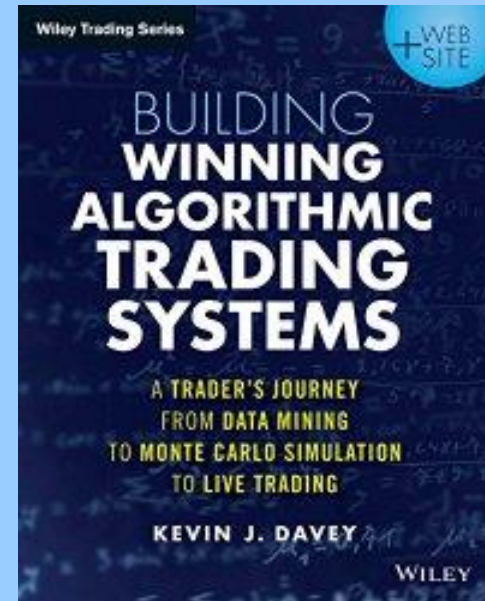
- **Answer:**
  - TRUE!

**It is good to trade multiple strategies, markets and timeframes**



# Book Giveaway

- Autographed copy of my book to the 5th correct answer...

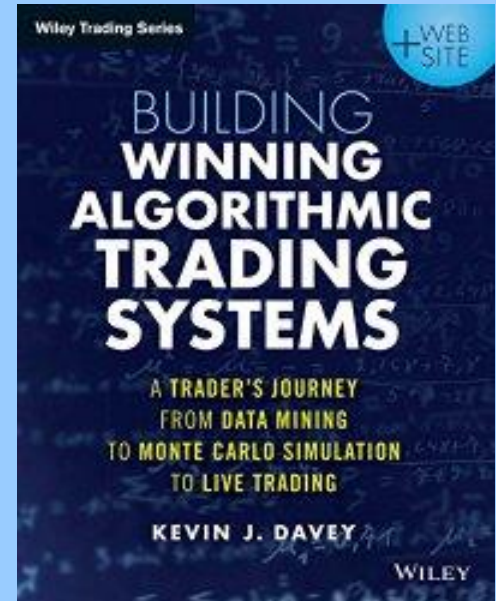


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# Book Giveaway

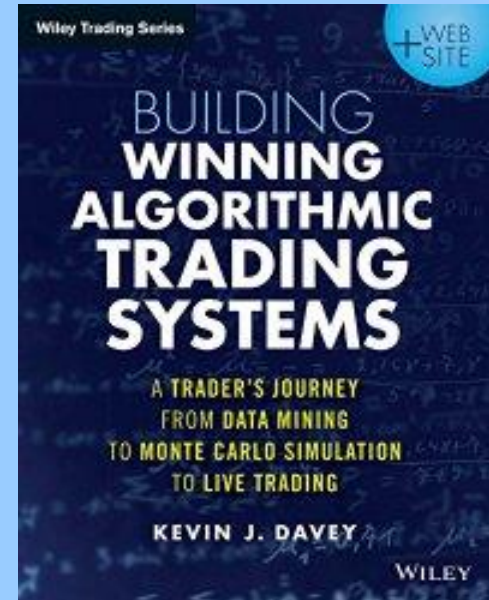
- What is one key to the way I trade?



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# Book Giveaway

- **Answer:**
  - **Multiple markets**
  - **Multiple strategies**
  - **Uncorrelated strategies**
  - **Proper Development Process**

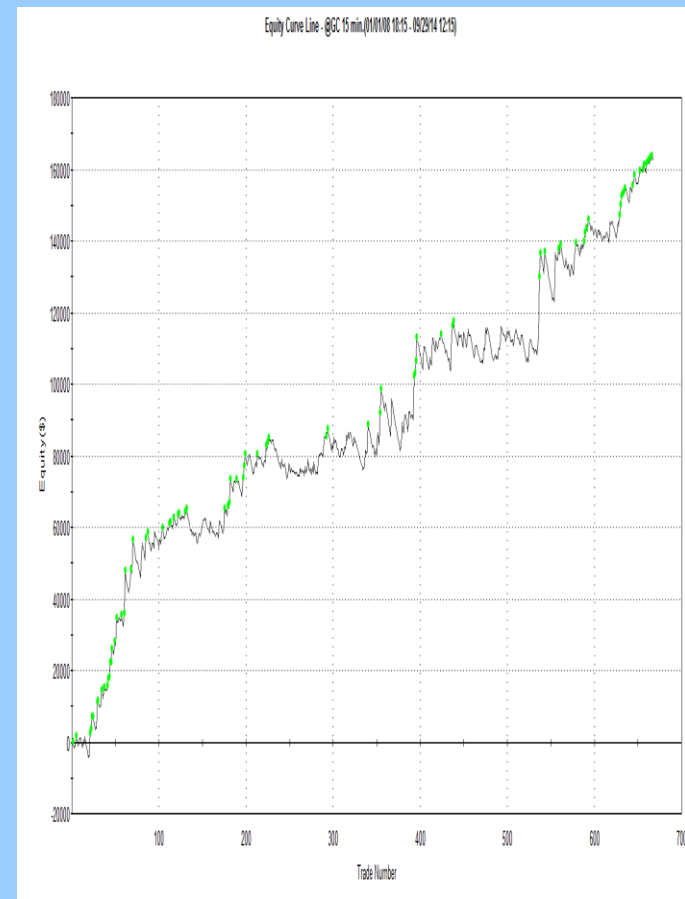


# Gold System Giveaway

Buy next bar at highest(high,80) stop;  
Sellshort next bar at lowest(low,80) stop;

```
SetStopLoss(500); //$500
```

- 15 minute bars – 24 hr
- \$45 RT slip & comm
- Use it as-is or as start point for your work



# Thanks for Attending!



- Strategy Factory, with discount:  
<http://www.kjtradingsystems.com/id199.html>