

Heroic Traders

Interviews with Top Lifestyle Forex Traders



by Hugh Kimura

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What You Will Learn

I feel very fortunate to have started a Forex blog and podcast because it has put me into contact with some amazing people, some of whom also happen to be fantastic traders. Getting to know these people has done tremendous things for my trading and my life. Half the battle in achieving a goal is to see that others have already accomplished it. This opens your mind to the possibility that maybe, just maybe, you can do it too. After you understand that it is possible, then you need to figure out what they did to get there.

That is where this book comes in.

If you want to become a full-time trader or you are just entertaining the idea of doing some trading on the side, then these interviews will give you insight into what it really takes to become a professional trader. I chose these traders, not only because they trade for a living, but also because they value lifestyle freedom over prestige.

When the average person imagines a trader, they usually envision the Wall Street-working, Ferrari-driving, bespoke suit and Rolex-wearing trader. While there is nothing wrong with that, the traders in this book are cut from a different cloth. They trade from all over the world, they don't go into an office (unless they want to), and they wear whatever they want. Most of them trade their own money now, but all of them have managed other people's money at some point. They come from a wide range of backgrounds, but all of them have valuable lessons to share with you.

So fix your favorite drink, find a quiet place to read this, and have a notebook handy. Welcome to the exciting world of professional lifestyle Forex trading.

Rafael Veron

Is Successful Trading Nurture or Nature?

The Backstory

Some people argue that the Internet has made us more antisocial and isolated. I strongly disagree. In fact, I believe that the Internet has made us more social than ever before.

Case in point is how I met Rafael. We met through a blog that he had awhile back, and we got to talking occasionally over email and on Twitter. His story was almost too good to be true. It began like most trading stories. He had a few lucky wins early in his trading career, but lost it all after he got overconfident and thought he couldn't lose. To make matters worse, he had borrowed a lot of money from his family to take those trades, making the loss even more painful. But then he made a comeback and went on to trade for a hedge fund, and ultimately trade for himself.

But that is only a small part of the story. After his big loss, he was determined to become a professional trader, so he did whatever it took to reach his goal. This meant working for free and taking a second job to get more experience. He was a janitor and errand boy, among other things. This allowed him to learn the business from the inside and was instrumental in helping him achieve his later success. After hearing about all this hard work, I understood why his story seemed so unbelievable. It was because I had only heard the beginning and the end. There was a lot of grunt work in the middle that most people are not willing to do.

Since this interview, I have been working closely with him on his course. I have found him to be very patient, and he always keeps an eye out for the next big opportunity, inside and outside of trading.

My favorite story from this interview is how he met his wife and taught her to trade. I think that a lot of people would love to be able to trade with their spouse, but that doesn't usually happen. Since trading appeals to a very small segment of the population, it is tough to make friends with other traders, much less someone you would want to spend the rest of your life with.

The most important thing that he learned from that experience was that trading is a teachable skill. So if you doubt that trading can be learned, then this interview is for you.

The Interview

Hugh Kimura: Before I get into your background, I want to share a story that you told me once because I thought it was really cool. Can you tell me a little bit about how you met your wife and how you taught her to trade?

Rafael Veron: My wife and I met through mutual friends, around the time I was running a hedge fund. I was looking for a risk manager to reconcile trades and check risk limits. My girlfriend, my wife now, fit the profile and she had the right background.

She, interestingly, had an economics background and she had her securities license, so she was a perfect fit. She had a fascination with trading and she wanted me to teach her. I just didn't think that given the amount of time that it took me to learn to trade, I could spend the same amount of time to teach her to trade. I didn't know if she would have the aptitude, and I didn't think that trading could be taught.

But over time, she persisted in wanting to learn how to trade, and I finally relented and I gave her a few concepts. It was more to do with risk management, rather than looking at specific economic reports or charting, because you can spend a lifetime studying those areas.

So she focused on a couple of concepts that I relayed to her, in terms of scaling into trades, taking small positions, and building up positions over time. Over the course of about five years, her performance was better than most of the top traders out there. So it really convinced me that trading can be an acquired skill; it's not necessarily an innate talent.

Hugh Kimura: I took a poll on Facebook once and I think a lot of people would like to have their spouse trade with them. But it doesn't always happen that way.

Rafael Veron: Well, to be honest, it was tough for the first little while because you have to respect people's personalities, and my wife is typically a little more patient than I am. She waits for trades; she wants things to be perfectly in place before she actually takes the trade.

I'm a little bit more aggressive, and she's quick to get out of losing trades. I think that's one of the key elements that really made me look at trading as something that can really be taught to anybody, as long as you follow the simple principle of cutting your losses quickly. Women don't typically have big egos like men do, so I think they are much easier to teach.

Hugh Kimura: Interesting, very interesting. So going back to the beginning, can you tell us how you first got interested in the markets?

Rafael Veron: This goes back to almost 20 years ago. I believe that it was from watching Trading Places. I'm a big fan of Eddie Murphy and seeing him with Dan Aykroyd screaming in the pits, spitting on each other with a bunch of guys. It looked like they were having fun and they were making money. I thought that would be a pretty cool job to do in the future.

So that really got me interested in looking into the markets and reading the business journals. Just from that moment on, that is what I needed to get moving.

Hugh Kimura: I see, besides the testosterone factor, what is your biggest initial attraction to trading?

Rafael Veron: Definitely the freedom. The freedom and not working for anybody. My parents are entrepreneurs as well. The idea of working for someone for 20-30 years just didn't appeal to me. Trading offered that, especially now with the Internet, you can essentially be anywhere in the world and operate.

So there's a location independence factor, not having a boss and the buck stops with you. You get what you put into it. So that's what I like, the competition factor as well. Not necessarily with other people, but with yourself.

Hugh Kimura: Definitely, so how many trading methods do you think you went through until you became a successful trader?

Rafael Veron: I probably went through every single trading product, trading idea, and strategy. From black box systems to trading options on futures and every timeframe you can imagine. But what I came down to frankly, was just finding something that was simple, something that matches your personality and that was the big difference. That and having a mentor telling you that is where you need to focus.

I was a big EA guy, a big black box systems guy, for the most part. It just didn't work out. It looked great on paper, it looked great on the computer and in back testing, but it just didn't work out. So you have to change it up and find something that suits your personality.

Hugh Kimura: So from what I understand, moving from being an institutional or a hedge fund trader to trading on your own can be a very big transition. How are they different and which one do you like better?

Rafael Veron: They are two different animals. The institutional or the hedge fund side of things, or even just being a retail broker and managing your own account, are completely different things. I always say this to new traders or even people who are not really interested in trading. They ask what I do and I typically tell them I'm in the business of risk management, I'm in the business of managing emotional risk.

When trading for hedge funds, you're not necessarily dealing with just trading capital. You are dealing with partner emotions and client emotions, not only your emotions. But when you get into very challenging market conditions, those various emotions can be overwhelming.

Of course, the upside and the business side of hedge funds are very attractive, compensation wise. When you're running your own money, you don't really have anyone to report to, well maybe except your wife. But generally you're on your own. So there is more risk in that respect, but the freedom that comes with running your own money is much better.

If you haven't gained the emotional fortitude and the emotional wherewithal to handle it [institutional trading], it is tough. That's why it's true what they say: it's a young man's game.

Hugh Kimura: Really, how so?

Rafael Veron: Just to be able to handle the trading stress, as well as dealing with the emotional intensity from other areas, like when you have client issues. To give you a good example, back in 2008-2009, I was running a hedge fund. I was advising a few big funds and the market fractured with the Lehman and various other sell offs in the markets. There was huge widespread liquidation.

The panic typically is contained; you have a Chinese wall that separates you and the clients. We have client relations in place to deal with the clients, but the clients were panicking so much that it infected some of the trading partners that we were dealing with. Then I would be getting calls where clients were worried that the whole market would seize up.

So that gave me an insight into the dangers of fear, if fear is not managed properly. You can have a robust software or robust training system, but it doesn't really matter. It all goes out the window. I think history is replete with examples of big blow ups because of runaway emotions. I think controlling yourself is one thing, but how do you control others as well?

Hugh Kimura: I see where the hedge fund game can be more of a young man's thing. If you transition out of that, then maybe it's better for you.

Rafael Veron: You have to have the energy to handle clients and be a counselor in a lot of ways to your clients or partners. Nothing goes in a straight line. So you can have great years and great months, but there will be times when you run into difficulty and that's where true trading talents come in. Emotional intelligence, if you will.

Hugh Kimura: Okay, I see. You mentioned your mentor, but were there other inspirations or other people who helped you develop as a trader?

Rafael Veron: I think that reading various books made a pretty significant impact on how I look at trading. The likes of Jack Schwager's [*Market Wizards*](#) and Mark Douglas' [*The Disciplined Trader*](#). I think that, along with my mentor, really shaped the way I look at the markets. How I look at the markets and how I developed my trading strategy was primarily from my mentor. But definitely some of the traders that were profiled by Jack Schwager really had a big impact on me, like Ed Seykota. Another trader that you don't really hear too much about is a guy by the name of Paul Rotter. He is an interesting guy.

He and his partner started with about a million dollars and they were able to run it up to well over a few hundred million dollars, in about ten years. But in the first week they almost went under, I think they lost like 30-40 percent. There's nothing

sophisticated in his trading, no indicators, at least nothing secretive. These were all out-of-the-box type indicators and a lot of scalping.

So that appealed me because it was more of a state of mind. It seemed that this person was trading off of something else. It wasn't purely on a technical or necessarily a black box system. He was using something else. So those were a few of the people that inspired me.

Hugh Kimura: I know you said your hedge fund days were kind of tough. During your whole trading career, was there ever a point where you wanted to give up?

Rafael Veron: At least a couple of times a year [laughs]. It's never about the money; the making money part is quite easy. It's learning to handle the downside, learning to manage the stress. There's no point killing yourself if at the end of the day you can't even enjoy the money that you make.

When you are younger, you have a little bit more energy, and you're more enthusiastic about things. When you get older, you become a little bit more mature and wise, in terms of knowing what you are good at. More important is knowing who you are better off working with. I was very selective during my last few years of trading for a hedge fund. I was very selective in dealing with particular clients, so you didn't have that cross contamination when you experience a drawdown.

There's a great book by the Pitbull trader.

Hugh Kimura: Louis, what's his name?

Rafael Veron: Marty.

Hugh Kimura: Marty Schwartz.

Rafael Veron: Yeah, Marty Schwartz. He talked a lot about his experience. He was a phenomenal independent trader, but when he started running money he almost died because of the stress. I think he had a heart attack.

So those are the interesting aspects of transitioning for people who are interested in transitioning into hedge funds. Something to keep in mind: pick your clients and pick your partners carefully.

Hugh Kimura: That's great advice. So I guess a lot of people would be impressed that you traded for a hedge fund and you trade your own money now, but I don't think they realize what you had to go through. So what other roles have you played in the trading game?

Rafael Veron: I was a janitor, a counselor, a punching bag, a coffee runner. I did all the grunt work in the beginning, just to get that perspective. My mentor at the time gave me the first inside view of how the markets really worked. It was a real game changer. Whether it was doing marketing work or doing coffee runs, I really learned a lot from that point on that the way the market functions is not necessarily the way we think it does when we watch Bloomberg television or CNBC.

The market, in its essence, is made up of emotions and made up of psychology. The numbers and the flickering ticks that we see, are nothing but statistical representations of emotions and behaviors. Money moves from the weak hands to the strong hands. Once you understand that and you know where you fit in the scheme of things, you become a better trader.

Having the privilege of starting from the ground up working as a coffee runner and janitor, I got to experience and see different things that I otherwise wouldn't have.

Hugh Kimura: I guess people would want to find out about your trading method. Can you give us the short version how you trade?

Rafael Veron: My trading method is technically a mean reversion, scale trading type process. It works with my personality and it works with my psychology. I find that there are certain things that you just can't know, you can't get a perfect price. You don't know what's going to happen tomorrow. So what I do in my trading is I work small positions into the market.

So I'm mean reversion trading. Meaning that, if whatever indicator that is being used is showing overbought or oversold, I will take small positions and accumulate a fair size within the context of risk management, with the expectation that the market will go back to the average range. Rather than most traders, who will put one big block of positions on. They will put blocks of positions on, all at the same time, but I would rather break up my trades into smaller units.

Hugh Kimura: That's particularly important, from what I understand, because the markets are going to be ranging 80 percent of the time or so, is that right?

Rafael Veron: That's right. Statistically, the markets are 75-85 percent that is going to trade in a band. Trend traders are looking for that 20 percent of the time to capture those big trends. If you have the psychology where you can hold positions for months upon months, then maybe that particular timeframe is good for you.

But I found that you can mix the two. You could actually take a trend trading type approach, having long established positions and in the meantime, on a daily, or on a weekly basis, you can take a swing trade or an intra-day type scaling position opposing your underlying core positions.

Let's say, for example, you are long the EUR/USD and you are a trend trader looking for a multi-month move. During the short term, because nothing goes straight up and nothing goes straight down, you could counter trade that position using a scaling method on the intra-day chart. Not only are you diversifying through strategy, but you're also reducing the volatility through time, so you are diversifying through time as well.

Hugh Kimura: It sounds like less of a strict strategy and more of a framework.

Rafael Veron: Correct, it's a framework because you have so many factors that can come into play. Sometimes an intra-day strategy scaling type method may not work for someone. But the concept itself can be applied to various timeframes and in all products, and even with existing strategies that you have.

Like I said, trend traders typically have huge drawdowns, and with this type of method included in your overall portfolio, it can dramatically reduce volatility.

Hugh Kimura: Yeah, I saw your results and they were excellent. But no system works well all of the time, so when you're not trading well, what do you do?

Rafael Veron: Stop. That's probably as simple as it gets. Just stop trading, relax, and reduce your size. I know there are emotional and actual physiological aspects that make us unable to just get out of trades outright. So the best thing to do is slowly unwind the position. If there are new traders out there that are hanging on to your positions too tight or you can't sleep at night, you have too much risk. You have to reduce your position size. So reduce your positions by half, and then maybe half again.

The market will always be there. Today, tomorrow, the opportunities are infinite. So you have to drill that into your head and just learn to take breaks, learn to relax.

Trading can be extremely stressful, and you almost become intoxicated with behaving in a particular way which is actually not conducive to trading. It's like a drunk thinking that he is competent to drive. Trading is the same. It has a certain aspects that trigger certain physiological responses and you need to take a break. You need to reduce your risk and cut the size down.

Hugh Kimura: But when you start trading again, don't trade your full positions sizes, maybe trade half.

Rafael Veron: Bingo, that's right. Even go back to trading one-fifth of your original size. That way, you have a reset in your mental framework. Your body is calmer and you can look at things a little bit more objectively. So take a break, take a cold shower, or go for a walk.

Hugh Kimura: You're also a certified and practicing hypnotherapist, which I thought was interesting. How has that skill helped you become a better trader and how has that helped other traders?

Rafael Veron: The area of psychology and hypnotherapy has been a real deep interest of mine, going all way back to university. I was planning to be a counselor or a psychotherapist. My dad actually wanted me to pursue something in that field. Hypnosis struck me as something that was very interesting when I first saw a stage hypnotist. Of course, most people who watch a stage hypnotist naturally think that the participants are acting. I had a chance to talk with one of the stage hypnotists that I saw at one of the university shows and some of the things that he told me were so outside my paradigm of understanding. When I finally looked into it, I thought that it was unbelievable that there are surgeries done with the use of hypnosis. You can actually turn off pain receptors.

So I thought hypnosis could be a very powerful tool. A very powerful application in hacking around certain physiological responses that typically get you in trouble. When you have fear, that's when you make the greatest mistakes. You become erratic, and you do unpredictable things. So hypnosis is a way to kind of bypass certain physiological responses. This fight or flight response. For people out there, you can Google or YouTube "hypnosis" and see some pretty powerful things that can be done. But when it comes to trading and some of things that I applied to training others, it is just a wonderful modality to use to reduce stress and also to get that rid of that tunnel vision when stress happens.

Hugh Kimura: For those people who might think that hypnosis is like the stage shows or when you wave a watch in front of your face and stuff like that, can you give them some simple tips to use on an everyday basis?

Rafael Veron: Well, hypnosis in itself is a very controversial term. The meaning is still debated as to what it actually is. I would say that hypnosis is almost interchangeable with just a heightened focus or a strong concentration. No different than when you watch television and you get immersed in the show. Everything around you from your dog barking, or the dish washer going, is completely not present in your current state of mind because you are so engrossed with the show.

So it's the same thing in trading, in that when people are so focused on whether it's a loss or a gain, that it's giving you tunnel vision and you're not looking at the overall risk aspects. So that's where the greatest danger comes from and the biggest drawdown usually occurs: when people have big run ups and big profits. Usually big drawdowns occur after that because they get blindsided.

So hypnosis again, is really a heightened state of concentration that occurs when you're in a deep state of relaxation. I'll do future webinars and videos on how to put yourself in these very conducive states of mind to be relaxed and calm to trade.

Hugh Kimura: That sounds good, we look forward to it. When you're teaching other people to trade, what's the most common thing you see them doing wrong?

Rafael Veron: Being impulsive, taking too much risk, and not knowing themselves. This can go hand-in-hand with not having a properly structured plan. You can have the software and the robust trading system, but if you don't understand the capital trading risk component and what triggers you to do crazy things, then you're likely to blow up.

I tell new traders to just start small see how you react to things. See how you react to losses and gains. At the highest level of trading, losses and gains are just words, there's really no evoking any type of emotion. But traders typically are very enthusiastic and they want to turn \$500 to \$5 million.

Hugh Kimura: On the flip side, what are the top two or three traits that are common to successful traders?

Rafael Veron: The three components that I find, in the guys that I've worked with and also in Jack Schwager's books, is that they understand the risk from a biology standpoint, from an emotional standpoint and from a quantitative standpoint.

Of course, statistics, probability, betting size, and volatility are generally what's covered in most trading education. Bet small, bet 1% to 2% and put a stop in. That's fine and very good to have, but if you don't know the emotional risk that triggers you to take high risk behaviors like canceling your stops, revenge trading, or doubling down on losing trades, then that's just a recipe for catastrophe.

Great traders understand those three components. They understand themselves first and foremost. That's why I'm a big believer that having stops alone is not a complete risk management plan. If you're going to override your stops, well, what's the point of having stops? If you decide that I'm going to bet 1% or 2% of your risk capital, but you end up doubling down on a trade, well, that kind of defeats the purpose.

So you have to understand what makes you compelled to do those things. Trading small in the beginning really allows you to see those little inclinations or nuances in your personality.

Hugh Kimura: So that brings me to my next question. Regardless of somebody's net worth or capital available to trade, how much money do you recommend they start with in Forex?

Rafael Veron: You know, that's the great thing about Forex, Hugh, the small amount you can start with. You can now start with a hundred dollars. Back in the day, trading futures, the large size S&P was twenty thousand dollars, just for one contract. Now you can start with a hundred dollars and get your feet wet, which is the most important thing. So the low cost to get started is so favorable if you trade Forex. So start as small as possible, and take into consideration the spreads and the commissions. But now with the spreads so tight I think it's negligible. You can trade with a hundred or five hundred dollars and learn just how to be consistent and make a few dollars here and there and then grow from there. But first, get your feet wet and see how you respond to things emotionally.

Hugh Kimura: So let's say that somebody doesn't have a hundred grand or whatever to trade for a living. Is there an alternative that they could try if they have a solid track record?

Rafael Veron: I think with social media, the worldwide acceptance of Forex, and the interest in location independent businesses, if you're a good trader and you get your name out there, the money will find you. So it's not necessarily the amount of money under management. You will find that actually the big money managers and the big funds, their performance tends to lag as supposed to new start-ups. I think it probably has to do with the complacency when you have a billion dollars under management. You tend not to take a big risk. You're comfortable with the two percent management fee. But with the startups, if you have a talent, whether you're trading five hundred dollars, ten thousand dollars, or a hundred thousand dollars, if there's a consistency there, that's what's important and that's what is going to attract investors.

With all the new innovations in PAMM accounts and segregated accounts, back in the day when I started, those things didn't exist. It is just so easy for someone to come out now with a bit of talent and showcase their talent by being truthful with their disclosures and tweeting out their live trades. You will find that there will be interested investors who will open their own accounts, as long as everything is in compliance with the regulatory apparatus.

You can go from a thousand dollars to running ten, twenty million dollars. I've seen it. Back in the day, that's how we started. We would go and file a limited partnership agreement for a couple of thousand dollars and we would get on the phone and through networking and meeting friends we would get our seed capital. But now everything can be done online, which is just amazing. You can get money from halfway around the world and the clients feel completely secure by having their own accounts with their own institutions.

Hugh Kimura: No doubt. One of my previous guests, Collin Jessup, started the same way with his own money. He was doing about 10 percent a month when

somebody approached him. I think they had like 40 or 50 million dollars and said, “Hey, do you want to run this fund?” And he just did it.

Rafael Veron: You will be surprised because there’s a lot of busy people with lots of money and they’re looking for talent. Equally for me, I seeded start-up traders as well, and the most important thing for me is having those three components of risk. If the trading risk, the emotional risk, and the behavioral risk are all tight and if they can perform on a consistent basis, the money will naturally find these traders.

Hugh Kimura: That’s great to know. I think that’s a very viable option for a lot of people, if they can tighten up their trading. So if you were going to start all over, what would you do differently?

Rafael Veron: Seek out my mentor earlier. It is part of being young, ambitious, and foolish to think that we can do things on our own. We all think that we can do it all on our own and re-invent the wheel. If I could go back, I would find a mentor right away. Find someone in the industry that has done things that work, rather than experimenting with a hundred different things yourself.

A mentor is unique in that they can look at you and point out things in your own makeup and your own ego that would take you a lifetime to figure out yourself. So that’s a great thing with a mentor, you really cut down your learning curve. Even just some of the advice on trading small. If I started off trading small, I would have fewer headaches.

Hugh Kimura: Going back to your point with social media, it’s getting easier to find these types of people to mentor you. Or should be, at least.

Rafael Veron: Yeah, and everybody should do their homework. There’s no replacement for homework and research. Just find someone you’re comfortable

with, first and foremost. Be sure there's rapport there. A day trader is not likely to go with a trend trader mentor, right? So it's important to find something that fits your style and product too, whatever you're trading.

Hugh Kimura: Great advice. So a lot of people get into trading, and they think they can bring their laptop anywhere in the world with an Internet connection and work on the beach while they are sipping a margarita. Do you think that's realistic, or do you think it's a lot of marketing hype?

Rafael Veron: Well it depends, Hugh. It depends on how you prioritize things. If you think that you're going to travel around the world, party and drink, and throw on a few trades to make a hundred thousand dollars a month, that's unrealistic.

So for me, I can only use my experiences. My wife and I love to travel and that was a big thing in our relationship, early on. But trading came first. That was the priority and came before anything else. Of course, your health and everything has to be balanced, too.

But trading was the focus. 15 or 20 years ago, the Internet wasn't as robust as it is today. With the laptop cost and software cost nowadays, things have changed dramatically. So if you have the skills and prioritize, then it's completely realistic to go to Barbados and rent a beach house for two months, and then go to Barcelona. I've done that. But wherever I go, I make sure that if I'm running my business, I want to be sure the infrastructure is there to make it work.

So trading in the remote parts of Peruvian jungle is not going to work. As much as I wanted to go to Peru and visit the ruins, I opted to go to Panama City because they have an extremely robust infrastructure to trade from there, and it's a good way to escape the winter here in Toronto. But you can make it work, as long as again, you

prioritize and develop and cultivate your skill set. Understand yourself and manage the risk, and you could be a globe-trotting trader.

Hugh Kimura: It is a business and you have to treat it as such. Besides the traveling, what has trading allowed you to do that maybe other professions wouldn't have allowed you to do?

Rafael Veron: Sleep in. I'm not joking, I love my sleep and trading the Asian and European markets. Just having the ability to sleep in and then trade the US markets when I was finally rested is huge. The flexibility is great, and also being able to not trade and do things during the week that there's no way that you could do, unless again, you have your own business.

Going for a coffee in the afternoon with friends or going to the gym or just taking my son and my wife out. That's a huge upside, and it's not necessarily the money aspect because when you're not trading you are not making any money. But it gives you that freedom that a typical, regular job wouldn't be able to offer.

Hugh Kimura: That's awesome. Are there some influences outside of trading that have made you be a better trader?

Rafael Veron: Quite a few, but mostly coaches and martial arts instructors. There have been a few people that made me look at things in a more holistic way, as opposed to seeing trading as the be-all and end-all. You start to look at things in more of a holistic fashion. It may not have anything to do with trading, but it impacts everything. Your diet, for example, your state of mind, your well-being with your family, that all affects trading. It's one big feedback loop. So staying healthy and having these mentors around me, whether it's in trading or martial arts, to guide me and keep me humble, that's the most important thing. Just to kind of remind ourselves that we're not special and anything can happen. Tomorrow, who

knows? That's why understanding these risk metrics is key to longevity in trading and in life.

Hugh Kimura: You bring up family, and I know this isn't a factor for you, but if somebody wants to be a trader and maybe their partner or their family does not support the decision, what can people do in those situations?

Rafael Veron: That's a good question; that's a tricky question, too. It would be similar to a mentor, who can point things out in your makeup that you may not see. So perhaps the family member may be right. But can there be a compromise, can there be a way to approach things with less risk? That's why I'm a big proponent of someone starting out small.

So again, Forex offers you that ability to start off really small and not be put in a position where you're taking an unnecessarily huge risk. Ultimately you can adjust your leverage and the difference between something like futures where you can get a margin call (you can get a huge margin call), and the minimums are not as high.

For someone who is really keen on starting a career in trading, start small, prove to yourself, and ultimately showcase your talent to your family members to show that this is a viable business plan, this is a viable career choice, and it can be done.

Hugh Kimura: That's a great advice. Going back to your son a little bit, I know this might be the case for a lot of people, but how did the birth of your son actually change your trading style?

Rafael Veron: No more day trading and no more overnight trading. Those days are pretty much done. Although to be honest, I still once in a while will take intra-day opportunities if one presents itself, or an overnight, but not as much as I did before.

Before it was a ritual, looking for an intra-day or overnight European opportunities. So the time now is for my son and the markets will always be there.

But the difference is I just switch the timeframes, so I'm more of a swing trader and I hold positions a little longer, and actually, it works out better. I actually enjoy the time I have with my son, taking him out. But at the same time, my wife makes me do more chores, so there's a little bit of a downside.

Hugh Kimura: But I guess people should take that into consideration if they want to do full-time trading. If they have a job right now, they should not try to day trade, or if they have other commitments, then they should take those other factors into consideration also.

Rafael Veron: Oh, definitely. Your life is always going to change; nothing is static. The markets will go through phases of trends, bull phases, bear phases, and your life will, too. Whether you move or whether you have changes in relationships or children come into the picture. Keeping that adaptability, that open-mindedness, is very important so you can adjust.

So it's good to learn different methods in trading. Whether it's intra-day or swing trading. If it doesn't fit your personality don't force it, but it's good to learn and it gives you a hedge, if you will, a backup plan. Swing trading, to me, is fractal in nature. Whether it's day trading, swing trading, or trend trading, it's all the same to me. It's whether your personality will fit into it.

Hugh Kimura: I really want to get into what you wanted to achieve in the next five years, but before we do that I have a little bit of an announcement. We have been working on a unique trading course to showcase your talents and teach your trading methods. Why don't you do the honors of revealing it?

Rafael Veron: Well, thanks, Hugh. You're the one who basically inspired me to come out and put together a course. It is a comprehensive course to teach the public. I think a lot of the information out there on Forex, or just general trading education, to me, is incomplete. I think that there are three components which I've been working on with you to give the new trader greater odds of success.

As you and I talked about, information alone is just not enough. There's just too much information out there. So you need experienced online veterans like yourself to distill the information into relevant and actionable data. Not just telling somebody to bet small and risk 1%, but giving them the framework to see how their own psychology interplays with the risk and how they look at opportunities.

Basically I've come to develop three components. The fundamental backdrop of my trading style and what professionals have used to consistently make money. And it has nothing to do with EA systems and black boxes, although you can use an existing black box system, but it's more of a robust framework to look at the markets differently.

Then we have the risk understanding, which is the second component. So you can break down the risk components into two parts, which are the qualitative and quantitative. Again, information alone is not going to be enough. You need a mentor; you need someone to get inside your head and see what's going to be the big hiccup.

Hugh Kimura: Definitely, I'm really looking forward to that, and if you guys are interested, check out the site at [TradeToLiveAcademy.com](https://www.TradeToLiveAcademy.com).

Rafael Veron: Just one thing, Hugh. I never told you this story. I thought you might find it interesting because this would probably one of the big inspirations when I used to teach. I used to have this lady who was a retail client, and she would

always deposit around 5,000 or 10,000 dollars, but like clockwork, she would double the account every couple of months. For years she would do this and she would always take out half of her money to pay her bills. We were so fascinated with her ability, with no complicated indicators and a very straightforward approach.

So we decided to back her. We gave her half a million dollars, and she was trading the British pound. What was interesting was that in the first two weeks, she lost a significant portion of her capital and she came back afterwards but was never the same. She could never duplicate the success of her small account.

Now this has nothing to do with partial fills or liquidity issues. It was the psychological aspect. She confided in me afterwards that just the pressure of being successful was an opportunity for her to give her family a big windfall. This was an opportunity to make a lot of money, and that whole self-imposed pressure just ended up sabotaging her trading.

So that gave me insight into how the sensitive psychology and the emotional risk aspects can derail the best trading plans, even the best talent. I think in this new Internet age, there is so much talent out there. The information is there, but they don't know how to distill the information. As you know, you can have two people following the same EA system and they will have completely different results.

Hugh Kimura: Yeah, that's pretty amazing.

Rafael Veron: It has to do with psychology. It has people questioning whether the system works anymore, or some people put too much faith in the system and they put on too much risk. Again, it can take someone like yourself or me, to look at the individual and see how to fit their psychology into an overall, true trading plan.

Hugh Kimura: At that point you were just looking for talent; you weren't teaching anyone. So if you were able to mentor her, maybe she would have been able to do better, do you think?

Rafael Veron: Yeah, ultimately she went back to trading her small account and she said: "Maybe I'm only destined to trade small accounts." I didn't believe that one bit, but it just showed that the psychology of this internal belief structure can really mess up your trading. That's an area which I find is not talked about enough or discussed in the trading community. Everybody wants something fast, right?

If you can put the time in and have a mentor or this course, it will hopefully cut down at least 90% of the time that it took for me. It took me about five years to really get a hold of things. That was back in the old days, when the information wasn't readily available and I had to call to find a mentor, knocking on doors.

Hugh Kimura: And you said you were doing phone calls to do trades, right? Day trading?

Rafael Veron: Yeah, it took me ten minutes to get fills from the floor traders. So things are different. There are advantages, but sometimes even with all the advantages we have, there's too much information to sort through all of it. So I tip my hat to you, because you're doing good things. You're honest and you really present things as they are.

Hugh Kimura: Thanks, I appreciate it. We're looking forward to that, definitely... learning your expertise. Before we get going, I want to get into one last thing. What are some of the goals that you have in trading for the next five years?

Rafael Veron: To be among the leaders in the FX and trading education area and to help build the talent that is all over the world. It could be someone in Malaysia or

Sri Lanka that has talent, but doesn't have the resources. They may only have a hundred or two hundred dollars, but if they can show a degree of a competence and consistency and ultimately a desire to be a trader, then Trade to Live and Trading Heroes can be a portal to back traders.

So my goal is to be an education leader, and also to build a huge team of traders that can be self-sufficient and self-sustaining all over the world. Never has there been a time when the access has been a level playing field. Back in the old futures, and just raising money back 15 years ago, it was completely different from what it is today. So I just want to provide an opportunity for everybody to be their own Forex entrepreneur.

Hugh Kimura: Nice, we will definitely be looking forward to that. We're coming up on about an hour, but I just want to thank you very much for coming in and spending time with us. Great stories as usual, and I look forward to launching the course with you.

Rafael Veron: I appreciate it, Hugh, I appreciate all of the things that you're doing for the community.

Hugh Kimura: No problem, my pleasure. All right, take care! Talk to you soon.

Rafael Veron: Okay, We'll talk soon, Hugh. Take care of yourself.

Lessons Learned

If you think that trading is only about a system, I hope that this interview helped you realize that psychology is actually much more important than any system. The obvious example was the woman that Rafael backed with half a million dollars. After she got the investment, she was trading the exact same system. The only thing that changed was that she was trading more money. After almost losing the whole account, she was able to get back to break even. Needless to say, the investors pulled out.

So, if you are looking for a magic system that is suddenly going to turn you into a better trader, think again. Sure, you do need to have proven system to increase your likelihood of success, but that method has to fit with your personality and you need to have the right mindset when you are trading it.

Another important point that Rafael brought up is the fact that it is possible to travel the world and trade. Many aspiring traders want to do this, but they aren't sure if it is really possible. Rafael has not only done it, but he has also been able to save money in the process. His knowledge of trading and FX allowed him to capitalize on some drastic currency fluctuations. If you want to hear more about this, you can listen to him talk about it [on his website](#). He was able to travel the world, stay at some really nice hotels and eat out every night because of the favorable currency exchange.

Finally, we learned that trading is a teachable skill. It is not an innate talent that only some people have. In fact, every trader that I have met or read about would say that nobody is a natural at trading. If Rafael was able to teach his girlfriend (at the time) to trade without any previous training, then it is certainly something that others can learn, too. There are two important points that were brought up in this story.

First, she wanted to trade and had a very keen interest in learning. This is probably the most important prerequisite to being successful. If you only want to trade to make some extra money, then you will probably fail. You need to have a genuine interest in the process and acquiring the skill.

Second, she was able to learn quickly because she had a mentor and got immediate feedback when she was doing something wrong. Even Rafael says that he wishes that he had a mentor earlier in his career. So regardless of where you are in your trading career, getting a mentor can be one of the best things you can do to accelerate your success.

If you want to find out more about Rafael, you can find out more about him on [his website](#). To hear the interview where he talks about taking advantage of currency fluctuations, you can listen to [that podcast episode here](#).

Chris Capre

Mastering the Millionaire Psychology

The Backstory

I don't remember exactly how I found out about Chris. If I had to guess, I would say that one of my readers probably emailed me and asked me to interview him. Regardless of how I found his website, I'm very glad that I did. In my opinion, Chris is one of the top traders, educators, and personalities in Forex trading. Many times people do one or two of those things well, but it is really tough to nail all three.

His path to full-time independent trading was focused, but it started very fortuitously. It was actually the intuition of a deca-millionaire that got him started in Forex trading. The amazing thing is that this was at a time when retail trading was still in its infancy.

One thing that makes his education unique is that he has quite a few Ichimoku strategies in his arsenal. Not many people teach Ichimoku trading in the Western world. He actually owns a few of the original Goichi Hosoda Ichimoku texts in Japanese and has translated many of them.

In this interview, we discuss things like why almost all traders can learn systems but most don't succeed, how he multiplied his \$3,000 account, and the books he recommends for traders to read.

Aside from trading, Chris has diverse interests and contributes to several causes that he believes in. He is an interesting guy, and I really enjoyed talking to him during this interview and later when I submitted my trading log to him for review (as part of his Ichimoku course).

After talking to Chris, it really made me realize how much more accessible Forex trading is to the average person nowadays. When Chris first started, there really wasn't much available and he had to resort to reading magazines at Borders. I hope that this interview helps you appreciate the opportunities that are out there now and take advantage of them.

The Interview

Hugh Kimura: Let's start with your background. I read on your website that you first discovered trading while you were studying yoga. How did you first learn about trading and what attracted you to it?

Chris Capre: Well, I was teaching yoga back in 2000, in Southern California. It was in San Diego/Coronado, and I think I just came to the realization that I wasn't going to be able to achieve some of the things I've wanted to do financially and do some of the projects through the economics of yoga. So I started getting involved in investing and trading, particularly with the equities markets. But I started to get bored with it; you can only make money during so many hours of the day.

I had a client that I was working with named Philip, who was a doctor. He retired at 40, a deca-millionaire. He was a great guy, and we became friends. He had terminal cancer, and he'd just want to do yoga to make his body feel better. So one day he comes to me, I'm at his house and he hands me this book and he says, "I just read this and I have this intuition that you should read this and you should do this." I asked what it was about, and he said it is a book about currency trading.

I told him that I like teaching yoga. He said no, no, no. You're too smart, you're too talented, you're too intelligent. You can't be in your pajamas for the rest of your life. Just check this out, I have a strange feeling about it.

And that was it. I read the book and you have to remember that this was back in 2001, so retail trading had just come online a few years before. There wasn't much on the Internet at that time in terms of educational sites, so I literally walked into a Borders. I checked out Futures Magazine and from an article on currency trading opened up a demo account the next day. Within a month, I opened up a live account with \$3,000 and never looked back.

Hugh Kimura: Wow! That's awesome. So your site says you began trading in 2002 and by 2004 you joined FXCM. Were you hired as a trader?

Chris Capre: I started Forex at the end of 2001 and early 2002. I was trading equities before that. I was trading live from that moment on. After a period of about six months I built it up to \$83,000, and by 2004 I got a job with FXCM.

I was hired on as a broker. They flew me out to Wall Street, paid for my travel expenses, paid for my room and board, full salary from day one and that was that.

Hugh Kimura: Ah, very cool! So everything that you've learned about trading basically was on your own time. Did they have a training program for traders, or how did that work?

Chris Capre: They had a training program for brokers, basically to work on the floor to be a broker, and it was quite a comprehensive program. It was two weeks of 8, 10, and 12 hours a day, just training with them.

But all my trading experience was self-taught. It was just me taking trades in the market, cutting my teeth, learning, making mistakes...some big ones. I made some really huge advances and progress in my trading.

It was all individual, and it was all just me tackling the market. I felt that I had, at least to some extent, enough resources and enough mental capital to be able to digest and understand it. A part of it was that it was also my first experience with it. When I first started, keep in mind there were very few [education] websites, and I had only read one article on currency trading.

When I turned on the platform and the charts popped up, everything just made sense. I understood the terms even though I had no training in finance. I was

looking at the charts and said, okay, this is a general uptrend or downtrend. The experience felt familiar to me in some strange way. To me it was more of a recognition that this seems familiar and that I can do this.

Hugh Kimura: Yeah, that's particularly amazing because I remember that I was in L.A. around that time and I got involved in Forex trading a little. It was still a deal where I had to go to the office and you had to talk to the woman behind the desk. She would have to call in the trade and you had to print out the tickets. It was still very manual process and there was not much online yet.

Chris Capre: It was a completely different world back then, even just the amount of information that's online and available now as compared to 12 years ago. It's kind of shocking; there are thousands of websites on Forex now. Back then there were fewer than a dozen. You only had a couple US brokers out there at that time. I think some people don't appreciate what the very beginning of retail currency trading was like for people. It was a very different world than what's available now.

Hugh Kimura: That's a good point. So I guess when you were at FXCM as a broker and you were doing so well at trading that it naturally led you to you want to go out and trade. So I guess you went to the JNF hedge fund, is that correct?

Chris Capre: Yes, one of things that I had to do at FXCM was give presentations. I was always teaching classes both internally to employees and externally to clients. They told me that they go to shows and expos and they wanted me to go to some of them.

So I started going to them and I would meet people from the industry. I met them awhile back at one of the expos and I just kind of took their cards and that was it. But later on, as I started to get into year two with FXCM, I said, well, maybe I do want to kind of go with the fund and see what this is all about.

Hugh Kimura: I see, very cool! What were some of the biggest lessons you learned from trading with a hedge fund?

Chris Capre: There were two big lessons. First was how important it is to test and really look at the data. They did a lot of testing. We had a doctor who had a thirty-year practice as an ophthalmologist, and he left that to become a trader with our fund. So he trained with us, but of course being a doctor, he had incredible analytical skills. He was heading up the research department and some of the research that he shared out of that was quite powerful and quite interesting. That kind of information showed me the power of research and showed me the power of testing things and taking an analytical approach to certain aspects of the market.

The other thing that I learned from it is to just trust our skill set and to try and approach trading from more of a pre-conscious level. If you have had enough screen time and you've logged hundreds or thousands of hours behind the charts, your central nervous system and brain have stored enough patterns and price movements to generally recognize what the most likely direction will be in the future. This gets stored in a database, and when you look at a chart, as long as you don't engage the prefrontal cortex (the part of the brain that tends to over-analyze), then before you understand it on a conscious level, your brain will take a look at what's on the chart, match it up with all the patterns that it has stored in the memory banks, and say, hey, you know what? This generally matches this pattern; it is more likely to go up from here.

The head of trading tried to demonstrate this through a class where we were exposed to twenty charts. He said, okay here's the chart, you get two minutes to analyze it and then you have to write down the direction of the next candle. We

would write our answers down and I scored about a 60% on that. Then he says, okay, I've got twenty more charts for you and you have three seconds to analyze.

Three seconds isn't very long; before you know it, it's gone. Over 90% of us actually improved our accuracy level, and mine went up to 90%. He was trying to communicate a huge point about how he looks at charts. He just takes a glance and lets the brain do its work, which actually performs far better when done on a sub-conscious or pre-conscious level than it does on a thinking or analytical level.

He just said to just take glances at the chart, go with your gut, not just your gut feel but your overall feeling, and trust that to find opportunities. That was a huge lesson for me because I had similar experiences. I was kind of doing this from the very beginning, in the sense that I would lay out four charts, I looked at the four majors, the only pairs that I traded where the: EUR/USD, GBP/USD, USD/CHF, USD/JPY. I would look at all four charts for about an hour and a half before London open. I would ask myself which one looks like the best chart and feels like the best chart, and I would tune into that pair to look for opportunities.

So it was kind of a wake-up call and a confirmation to me that the part of my mind that I thought was the most powerful part, in terms of making decisions, wasn't. I actually needed to take a different approach. So that had a huge impact on me.

Hugh Kimura: That's really interesting! I think a lot of times we discount our intuition. But like you said, if we have put in the screen time, I think it does make a difference.

Chris Capre: Yeah, and there's a great book on this that just recently came out by a former Wall Street trader who ended up going back to school to become a neuroscientist. It's called [*The Hour Between the Dog and the Wolf*](#) and he talks about intuition and gut feelings. He talks about things that are actually very

common in yoga. He talks about the enteric nervous system, which is the nervous system around your visceral organs, and how that actually has more neurons than are in your spinal cord.

It is something that has more neurons and sends a lot of information up and down to your brain, and we discount that. But there is a real thing called the gut feeling, and ironically, it's not just in the gut; it's all over our body. So it's a fascinating book and a great read. Since I studied neuroscience in college, for me it was just an excellent and an informative read.

Hugh Kimura: Thanks for the tip. I'll put a link in the show notes to that book so my readers can check it out. You had a lot of early success, but was there ever a point where you wanted to give up?

Chris Capre: Yeah, I think it's natural for anybody to have doubts. The key is what happens after you have those doubts. Do you let those doubts define you? Do you let the emotional experience surrounding those doubts define your actions and decisions from there on out, or do you say: look, this is what I'm doing. I've hit an obstacle, I've obviously hit a wall, I've had some losses. Does your mind look at the problems at that point, or does it look for solutions?

In my mind, from the moment that I opened that broker's chart, there was that recognition: "Hey, this looks familiar, you should do this." I have experienced knock downs when I was very young, and I had to learn from an early age that you just get back up and you fight back again. That helped create resilience, so when I did run into those obstacles, I started looking for solutions and not the problems. I started saying, "What can I do to fix this? How do I solve this? I'm doing this, I'm doing this, there is no quitting."

Hugh Kimura: That's awesome. I guess this is a good segue into my next question. Who have been your biggest trading heroes or just life heroes in general? Who's inspired you, who's mentored you?

Chris Capre: I didn't have anybody in trading that mentored me per se. The people who, as traders that inspired me the most, are dead. So Jesse Livermore and Richard Wyckoff. These are people who had a similar background, especially Jesse Livermore. Jesse Livermore had no training in finance or economics.

He came from a really small town and he just thrust himself into the experience of it. He went from his first trade with the 5 dollars that he saved up, to making a 100 million dollars, and then lost it all and then made it all back again and lost a bunch of it again. He had a wild ride.

When he was really on, he was quite insightful and he had a lot of wisdom about the markets. So I think his life and his story, although tragic, also offers a tremendous amount of wisdom and insight into what the markets are all about and one way that you can approach the markets. He was just a pure price action trader, and in some sense he was kind of a price action and order flow trader. So to me, his story is probably the most interesting and the most inspiring.

Hugh Kimura: Very cool. Everybody talks about [*Reminiscences of a Stock Operator*](#), but I think that [*The Amazing Life of Jesse Livermore*](#) is actually a better book.

Chris Capre: Yeah, and [*World's Greatest Stock Trader*](#) too, which is kind of a different take on it. I've read all of them, and the man obviously had an insight into the markets. If you can tap into that, digest it and make it a part of your trading experience now, then I think everybody can gain from that.

Keep in mind, this guy was short the market well before the great recession and the great crash in the early 1900's. He was so heavily short that he got a call from the President of the United States asking him to please stop shorting the market, you're affecting our national economy. That's somebody who's gone from nothing to being incredibly influential, just through trading. It's an amazing story; it's just quite extraordinary, his life and the things he went through. Definitely all of them are fascinating to read, especially the one you pointed out.

Hugh Kimura: Cool, yeah. I'll add some links to those books also. So that gets me into, how do you trade? I first found out about your site because of your material on Ichimoku trading. It's not a widely taught topic, at least not in the US, so why do think Ichimoku and price action work well for you?

Chris Capre: Well, I've been trading price action from the very beginning. It was the first thing that I started trading. It's the one thing I've been trading all the way through. In terms of Ichimoku, a lot of people look at Ichimoku as the things that they see on the chart. To Goichi Hosoda, the one who invented it, the most important things about Ichimoku were actually time, price, and wave analysis. He's using those tools as ways to understand and interpret price action.

So he was highly focused and highly interested in understanding and studying price action. His thirty years of study culminated in the Ichimoku Cloud, but that's his way of interpreting price action. So in reality, Ichimoku and price action go hand-in-hand.

He had some interesting theories that price action does move in certain time segments. It moves in waves, and there are ways to forecast future prices. So his Ichimoku is really just an attempt to interpret his theories of price action. Same thing with the Kumo itself. The Kumo is showing us that former support resistance levels are not a single line in the sand. They are several layers deep and they are

dynamic and evolving. If you really understand it, that's just a unique way of understanding price action, particularly how it relates to support and resistance levels. Or more loosely translated, it would be order flow and how it relates to key levels, where there are order clusters.

Hugh Kimura: This might be an odd question, but since it did originate in Japan, do you find that the Japanese Yen pairs follow Ichimoku better?

Chris Capre: Yes. If you go into a Japanese trading desk or any of the major banks over there, you would find their screens are just lit up with the Ichimoku Cloud. Over in the Western banks you won't see it that much. You may get a specialist, but that's about it. You have to remember that they are actively trading Yen pairs and taking large positions in them because they have to for their clients.

A lot of people seem to think that bank traders are just looking at charts like we retail traders are and they're saying: "I have a system set up and I'm just going to pull the trigger here." A lot of what they're doing is actually filling client orders. A client from a fund comes in and says, "I need \$300 million USD/JPY and I need you to short it at this price." At that point they are saying: "Okay, how do I take this client's order and make money off that and also make money on the movement from here on out?"

They understand that if they don't take the client orders they are just going to take their business to somebody else, and then their bank won't make the fees and they as the traders won't make the fees. With that being said, since they have a lot of trading positions being taken around the Yen, absolutely they are using it and they are making decisions based on it.

There is also a reason why some of the Yen pairs are some of the more difficult ones to trade. It is because a huge majority the Western world is using traditional

Western indicators to trade the Yen pairs, when people who are trading the Yen the most are using the Ichimoku Cloud. So there's a reason for that. In fact I think there were some studies that showed that if people just stopped trading USD/JPY their counts would increase by 10 to 15 percent a year.

Hugh Kimura: I definitely believe that. Do you only trade discretionary methods, or do you have some automated systems as well?

Chris Capre: I have what I call white box methods, so they are rule-based methods. But they are not automated, so we have rule checklists for all our setups. At this point, it's like: okay this potential setup is forming, does it meet the checklist A, B and C? So it is rule based, but it's actually at the discretion of the trader to pull the trigger.

Hugh Kimura: Do you have a few core strategies, or are you always in the lab trying to develop new things?

Chris Capre: Well, I'm trading the same systems, day-in-day out, week-in-week out, month-in-month out. But trading is an evolutionary process as any skill based endeavor is an evolutionary process. The market is evolving and it is changing in real time. It's changing as the structure changes, the participants change, HFT's have had a huge impact on it, and regulations have a huge impact on it. So because of that, the market is always in flux, and therefore we have to be evolving in trading.

So as I notice new patterns that show up as the market changes, I will try and study them, quantify them, identify them, isolate them, and figure out if I can incorporate that new strategy. So yes, I am adding new strategies. It's not that I'm actively looking to build new strategies per se. It's more like I'm trying to keep my finger on the pulse of the market, and when I feel the market is starting to change in certain

dynamics, then I try to isolate the variables and patterns that are represented in those changes. Then at that point, I try to see how I can incorporate this method and pattern into my trading.

Hugh Kimura: Now I want to get into education a little bit. In 2007 you started 2nd Skies and started teaching. What prompted you to want to teach people to trade?

Chris Capre: When I was working for the hedge fund, part of the things we had to do was teach the trainees. I was responsible for some of the training of the trainees, and on the side I would start doing once-a-week webinars with them where I would share market analysis, key levels, positions that I'd be looking to take.

When I left the hedge fund they still wanted to continue with that. So that evolved and as that evolved, they started saying: "Hey we'd like to learn more." I also felt that instead of giving piecemeal lessons once a week about how I look at the market, why don't I start building a training program?

So it evolved without any intention. It just started to grow, and eventually I said: "Well, if this continues, I'm going to have to build a business around this because this is becoming quite time consuming." They seemed to want it, so I built it. From there, it just grew and evolved into these new incarnations. Honestly, when I first designed it, I hadn't anticipated that we would get this big or be like this. It's become an animal much larger than I intended it to be, and now I have to feed this big beast.

Hugh Kimura: So what are the common traits that you see in successful traders?

Chris Capre: Mindset, discipline, and passion. They are clearly passionate about it; they are beyond the level of interested. I recently wrote an article about the difference between being passionate and being interested. A lot of people come to

the market, and I think that they find out that they are interested and they are attracted to it. But when it comes down to doing the real work, they end up not doing it, and that there's a reason for that.

Somebody who's passionate about trading has a passion for the process and they have a passion to deal with the challenges and obstacles. So when those difficult moments come, they are able to break through those obstacles and not let their emotions define their experience.

They understand that they are going to have setbacks and they are going to have challenges and they have a passion for the process. That shows more particularly in the challenging moments.

But it also shows in their work ethic, in their diligence, in terms of really trying to learn this. Whereas, if somebody is interested, they will do it while things are going well. But when things are not going well, they won't do those extra things. That ends up being a huge difference and a separator between someone who ends up making it and someone who doesn't.

So if somebody is interested and then they find that they run into those obstacles, they will skip a lot of the little details when the difficult moments come. Can that change? Absolutely! You can change somebody's level of passion from interested to passionate and someone can be passionate, but then things can also change in their life and they just become interested.

So it really depends on where they are. But the key variable that I find most common among successful students is that mindset. Learning systems is not difficult. Most of the people that come into this market are intelligent enough to learn systems. Most people can grasp the ideas behind risk management, and so if

they have the mindset, then they generally have the discipline and the passion to do all the things that are necessary.

The good thing is that if someone doesn't have that now, they can learn those things. Those are things that can be taught, they can be inspired, they can be built. It's not so much a question of where they are now. It's a question of what they will do in the future to change their growth and progress.

Hugh Kimura: So beyond just a mindset is there something else that has been particularly hard to teach?

Chris Capre: No, not at all. We've just crossed the barrier of about fifteen hundred students. We have one thousand students in our price action course, which is our most popular course. The systems are not hard to teach. Understanding is one thing, but a working mastery of something is a different thing, and you can tell when somebody has a working mastery of something because they can explain it simply. Explaining systems and sharing them, those are not difficult to teach people. But the mindset of being a professional trader or being a professional anything, tends to be the hardest thing to teach people.

Hugh Kimura: I'm interested about some of your students. Maybe you could tell us about your most successful student. Was it apparent that he or she was going to be successful from the beginning? What's the biggest thing that you think made them successful?

Chris Capre: I have a wide range in the sense that I have some students, who from the very beginning, I thought this is going to take some work. Then there are other students that had certain experiences which I felt that they have a lot in place that can help accelerate the process.

People who are former athletes, martial artists, or musicians are people that had gone through something in their life where they had to learn a skill that takes time to learn. They understood that learning any skill is a process. You don't just pick up a guitar and in six months, you are jamming away like Stevie Ray Vaughn.

Unless you are a prodigy, that's not going to happen. It's going to take time and it is a process. They understood that it is a process and they have to work through certain things and build skills to play well. People in martial arts have that, athletes that have played for long periods of time generally have that.

Anybody who's gone through a skill-based endeavor tends to have that. So I had one student who already had a lot of experience as a semi-pro golfer. So he understood what it takes to perform at a high level. He was able to take the experience from golf and translate it into trading and that helped a lot. Because of that, he understood that in golf, there are certain things that you just have to do. He understood that in trading, there are certain things that just have to do it, so he just did it.

I've had a lot of surprises and I've also had a lot of people who I thought okay, they have a lot of material in place, to do this and to grow fast in this. So it's quite a range across the board.

Hugh Kimura: Okay, interesting. You talked about getting discipline from sports and you're obviously heavily involved in yoga and meditation. How have these activities improved your trading?

Chris Capre: Well, I was doing yoga and meditation before I started trading. A lot of people have asked me, when I look back, what was your edge or what was that one thing you did differently? Well, I did yoga and meditation every single day. Anywhere from an hour and a half to four hours a day.

So if you think about it, trading is not just pure mind, it's also a physical thing. We experience hormones, we experience the fight-or-flight response, we experience emotions, which are not just experienced in our mind. They are tangible, contextual experiences in our body.

So what was I doing from day one? Through yoga and meditation, I was teaching my body and my nervous system to relax. I was teaching it, through yoga, to become a lot more sensitive to my body. So that if I would get into that fight-or-flight response, I would be aware of it quicker and be able to relax my body through meditation. I was able to create a greater level of awareness of my thoughts, my mind, how that worked, and create a certain sense of spaciousness. So that I could allow those things to come through and not change the way I behaved or acted.

So that was all being done from day one. The book, [*The Hour Between the Dog and the Wolf*](#), also highlights how important it is for traders to not just have really well-trained minds, but also to have really well-trained bodies because it is a physical experience. A lot of times, those professional traders on these desks have physical experiences that communicate information to their nervous system before they actually consciously know it. That will tell them: "Hey, wake up, there's something really important happening here." A big pattern is happening here or watch out for this danger.

If you think about it, I was tuning the two mechanisms that were most important to trading every single day for an hour and a half to four hours a day. So in terms of how it is important, I don't know if it can be quantified. It's a tremendous difference from somebody who comes to their computer in the morning with no pregame warm up with nothing to calm their mind, to relax their body, their breathing, and their nervous system.

Generally when people come to the market without any pregame warm up they are not traders, they are philanthropists because they are just donating their money to the market. To me, those are trader philanthropists, they are not traders. More than likely, you're just going to be someone who donates money to the market. I can't imagine my trading experience without yoga and meditation. It would be an uphill battle. It would be like climbing Mount Everest without any gear.

Hugh Kimura: Well, that's a pretty big case for doing yoga and meditation. So if anyone who is listening is interested, are there some resources you can point them to?

Chris Capre: If somebody wants to do yoga, I'd recommend going to several studios and taking a few different classes so you get a wide variety of experience. The best way to really practice yoga, of course, is at a studio. If you want to do DVD's, Amazon has a list of DVD's that are out there. But I always recommend going to an actual studio. The key to that is: (a) how do you feel after the class and (b) how well do you enjoy the teacher? If they are both good, then I would say stick with that.

In terms of meditation, there are probably a lot fewer meditation classes available than there are with yoga. There are certain books that you could read that can give you a general guide to mediation, and there are some online videos. I would recommend, if they can, going to meditation center, of course. But if not, I could send you [a list of books that I would recommend](#).

Hugh Kimura: That would be great! I will stick that in the show notes. Switching gears a little bit, you are also involved in philanthropy. Can you tell us what kind of causes you believe in and are there any specific organizations that you support?

Chris Capre: Yes. For me, my main in focus in philanthropy is kind of two or three fold. In third world countries, they generally need resources first and foremost. Whereas in second world countries, they generally have some basic resources, but they need education. So first is resources to survive and then second is education to help give them more options, to give them more ways to make decisions in the world. So through third world countries I spend a lot of my time donating resources and information, mostly financial resources and getting involved in projects to help them supply the resources that they need like water, clean water is huge.

Every 20 seconds, a child dies because of not having clean water. So to me, that's huge. I try to use my abundance and my financial resources to help combat that. There are several ways you can do that. [Lifesaver bottle](#) has developed the technology where you can filter out 99.99 percent of all pollutants from any water source. So they can take water from a river that's got dirty water and put the bottle in and it will filter out 99.99 percent of all that [pollution] and create clean drinking water for people. So that's huge.

There's several of them and I have a philanthropy page on my site that they can go to see that. So that's one of them.

In terms of education, [vittana.org](#) is great and [Kiva](#) is also great for providing micro loans. Vittana specifically focuses on education whereas Kiva is multifaceted. The Access Program is a scholarship program that allows people in second world countries to get funding to learn English as a second language. In Latin America the studies show that if somebody learns English, their upward mobility increases by 71 percent, and that's huge.

Hopefully I can provide that opportunity and give them the funding they need to get the educational help. So there's a lot of projects like that.

Hugh Kimura: That's awesome. Are there any other personal projects that you are working on?

Chris Capre: Yeah, because mindset is so huge in terms of a trader's success or failure, I've decided that it's time to build a training program to help accelerate their growth in the trading mindset aspect. So we're building an advanced trader's mindset course that's designed to give them exercises, tools, techniques, and ways to change how they relate to trading, so that they can reorient the compass of their mind so that it's geared toward success and not towards inconsistency and failure.

I'm also working with a neuroscience lab that's built this really cool device that can monitor brain performance, particularly these neurological patterns and algorithms in the brain. So right before a trade, during a trade, and after a trade, they can monitor the neural activity. Now, if we can isolate those algorithms for expert traders, then we can identify conditions that we can create for beginning traders to help change their neural activity and brain harmonics so that they can effectively put themselves "in the zone."

They have tested this device on other skill-based endeavors like archery, sniper shooting, and golf, and they've been able to increase performance by 230 percent within a very short period of time.

So in a couple of weeks, we're going to the US and we are going to be testing it on a couple of traders. I'm trying to get a couple other trading desks to see if they will test it on their trading desks. Once we have enough sample data and if the data is conclusive, then we will start testing this on novices to see if we can do it, and I'd like to create an entire training program built around that.

Hugh Kimura: Wow, that's really exciting!

Chris Capre: Super exciting, imagine if a beginning trader could just put on a headset and through some basic exercises, in a short period of time, put themselves “in the zone.” How many better decisions would they be making in real-time? How many decisions will they make that would not be influenced by emotion? How many times would they know, shoot, I’m not “in the zone” right now, I better not pull that trigger? It would be huge in terms of accelerating the learning process for traders. So to me, this is quite a revolutionary way to approach the learning process and to accelerate the learning process for traders.

Hugh Kimura: We will definitely keep an eye out for that. Well, we’re coming to about forty minutes, and I really appreciate you taking the time out. So I just want to wrap it up. Do you have any last words for aspiring traders?

Chris Capre: Yeah, if you really want to do this, there is no quitting. You want to keep at this not just for the financial rewards that are involved, but for your own personal growth because there is a wisdom waiting for you and a confidence waiting for you on the other side of this process. Going through this process can be something that rewards you for the rest of your life. Not just financially, but personally as well. It can change the way you think about things, the way you approach the world, and the way you relate to life.

I think one of the great things about trading is that it’s an opportunity for us to, through the mirror of trading, discover things about ourselves and change these things so that we don’t just become professionals at trading, we become professionals at life.

There are many things in real life that require us to take risks, to understand risk, to say that I’m going to boldly leap and take on this risk in my life because I realize that the rewards are far more powerful than the risk of not taking this.

Michael Jordan once said, and this is a brilliant insight, he said: “You will miss every shot that you never take.” And to me, that’s a wisdom that’s not just about trading, it’s about life. There is wisdom to be gained through trading, and that’s something that can empower us for the rest of our lives. If you really want to do this, you have to keep going forward because what’s waiting for you on the other side is far more beneficial than turning back.

Hugh Kimura: Some great inspirational words. If people want to find out more about you, where can they go?

Chris Capre: My website, 2ndSkiesForex.com, would be the best way to do it. I also have all my social media connections so they can follow me through there. We write great free daily articles analyzing the market. We also write articles about how you can develop and accelerate your learning process as a trader.

Hugh Kimura: I will definitely put in those links to meditation and yoga resources. But thanks again, Chris, I really do appreciate it. This was a great interview and I wish you well.

Chris Capre: It was a pleasure. Thanks for the interview.

Lessons Learned

To me, the biggest lesson to be learned from this interview was that successful trading is all about mastering your mind and body. As a yoga teacher, Chris came from a unique background that served him well in his career as a trader. As Chris points out in the interview, however, yoga and meditation are not the only ways that you can achieve calm and discipline. Many athletes and martial arts practitioners understand the process of mastering a skill, and that awareness serves them well in trading.

According to Chris, passion is the other big factor that determines success in trading. Many people are attracted to trading because of the potential to make big money. But if you don't have legitimate passion for it, you won't be able to overcome the roadblocks that will inevitably come up along the way.

So if you are interested in becoming a professional trader, think about ways that you can cultivate these two requirements. Sometimes we have to step outside of trading to gain insight into how to get better at trading.

In order to cultivate mind and body mastery, consider trying a yoga or meditation class. You might not like it, but you will never know until you try. It might just be something that changes your life. You can also try a sport that you have never done before, like archery or judo. This can give you better perspective into what it takes to master a skill. When you are forced to see something with a "beginner's mind," it can help you deconstruct the steps to mastery in other areas also. Stick with what you love and drop what you don't. Who knows? You may just find your next big passion in life.

On that note, you should also find ways to continually cultivate your passion for trading. It can be a tough profession, and you will need to find ways to keep yourself going. Look for interviews on YouTube, follow quality blogs, and keep your favorite trader biographies handy so you have something to aspire to. But if you do all of this and you still cannot maintain your passion for trading, then as Chris says, you are probably just interested. There is nothing wrong with that. This awareness can help you move on to other things that you are passionate about and will most likely excel at.

Chris Lori

The Olympic Trader

The Backstory

I credit Chris for helping me get started in Forex trading, and I am forever grateful. When I first started my blog he offered me some guidance and training that has served me well until this day.

He was the person who first introduced me to price action trading. Once I learned about dealing ranges, support/resistance levels, and other concepts, I never looked at a chart in the way same again. I distinctly remember that this was the point when I realized that trading could be mastered and it was not gambling.

Chris is an ex-Olympic athlete, having competed for Canada in the bobsled. He found that this training and discipline served him well in trading, and he is still in excellent physical shape. Look up some of his training videos on YouTube and I'm sure that you will be impressed.

You will get a slightly different perspective from Chris because he is the only person in this book who actively manages money for others. There is nothing wrong with managing money for others or only trading for yourself. It is just a matter of preference. You can make more money by trading for others, but it also comes with a different set of challenges.



Unlike many people that I meet online, I have actually met Chris in person and I found him to be a very straightforward, funny, and driven person. Competition is still very much in his blood and it's what makes him a good trader.

So it is with great pleasure that I present my interview with Chris Lori.

The Interview

Hugh Kimura: Can you tell me a little about what you were doing before you became a Forex Trader?

Chris Lori: My path in FX kind of started when I was fairly young. We would sit around the dinner table with my seven brothers and sisters, and my dad would constantly give us lectures and lessons on the financial markets because he was quite into it at that time and still is. But he really taught us to be financially prudent when we were quite young. We had to work hard and make our own money, and he guided us on how to invest it.

So I took a keen interest in being financially responsible at quite a young age. I started to take an interest in the financial markets specifically while I was in university, actually just before university.

Of course, I was distracted by my bobsledding career. Prior to bobsledding, I was on Canada's National Team in decathlon, and I was recruited out of there into bobsledding. So that got started and I basically put my post university career on hold for a while and achieved my first goal of being in the 1988 Olympic Games. Then after that, I figured we could probably become World Olympic champions, so I remained focused on the sport. But in the meantime, I continued to study the financial markets, and I took the Canadian Securities course—it's a pretty tough course—in order to move into the financial industry once I retired from sport.

My bobsledding career lasted longer than I had anticipated and went till I was 34-35 years old, after four Olympic Games. When I retired from sport, I was ready to move into the financial business. So I began to place a focus on FX trading. That was in '98-'99. I took a keen interest in studying the FX market from about that time. I had to make some money after retiring from sport, so I did some contract work in sport in order to build some capital to trade with. Of course, I traded a little bit of

the Tech Bubble, and I made some money and lost some money. Then I started to focus on FX from there. That was in about 2000.

Then between 2000 and 2002, I studied quite intensely. In 2002 I was introduced to a mentor of mine, and that's when things really fell into place for me. So it was kind of a long time in the planning. Then I started to focus in 2000 and really enjoyed the asset class of FX simply because I believe it's the least risky asset class, which is a whole other subject. And of course, it's the most interesting and the most liquid.

Hugh Kimura: I see. That's interesting, I did not know you were in the decathlon, too.

Chris Lori: Yeah, it's a tough sport! They were looking for speed and power for bobsledding and they recruited those of us in the National Team of decathlon into bobsledding.

Hugh Kimura: I see. Do you think that competitive spirit prepared you well to become a trader?

Chris Lori: There is absolutely no question about it. When you develop as an athlete, you are always pursuing and testing your physical and mental capacity to the highest degree in order to succeed. So what happens is you engage in a process. The more you actively engage in new experiences, the more you will set new goals: short, medium, and long-term goals. You will accumulate knowledge from these experiences.

In sport, you are put under a very large number of trying circumstances where you need to understand yourself, how you are likely to respond in certain situations, in order to develop. I went through that process as an athlete. When I began my trading career and started to discover that I've already been through everything

that trading requires of you, from an understanding of process thinking standpoint. I simply had to convert it.

So I had to understand the market at a very, very deep level. I had to have the awareness to adapt everything that I learned in sport and convert it into the knowledge that I was acquiring in trading, the systems thinking I was building in trading. It was really just a question of converting that mental capacity into trading, there is no question about it.

For me, it was sport, but for other aspiring traders, you have likely gone through experiences in your life where you aimed to achieve something, and you need to reflect back and understand the process that you went through and convert that into trading. There is no way around it. You need to expand your knowledge of the market. We can talk about that in future questions.

Hugh Kimura: Okay, very cool! So I guess one of the bigger questions that a lot of people want to know is: can you tell us about your trading strategy?

Chris Lori: When you start to explore FX trading, it's very, very common to want to understand the tools that are available. First of all, there are many ways to skin a cat. In fact, every single trader in the marketplace has a different approach. They see the market through a different set of eyes. They have a different set of experiences that they are drawing their trading decisions from. As they try to engage to acquire knowledge, they will go to indicators, price action, maybe the fundamentals, maybe algorithms, EA's and things like that. So as you engage in these experiences, what I really recommend is not trying to copy exactly what somebody else is doing because that's not going to work. When somebody shows you an indicator or a system of any kind and says: "This is my system and you should trade it, these are the rules," it's not going to work for you because you need

to develop a full, thorough, and complete understanding of the market and the tools you are using.

My model is kind of spread out. My intraday trading model is price action based. It is 80-90% based on the price action and the volatility occurring on an intraday basis. My charts are clean; I don't have indicators on my charts. I am simply watching the price behaviors throughout the day.

Now, for long term position trading and working with clients, we often need to engage in long-term speculative positions. Those are typically more fundamentally rooted, so I'll use a combination. On the one end of the continuum, for intraday trading, 80-90% of the decisions are based on price action and price behavior that we see repeated over time. Yet, there is still a fundamental foundation, a sense for the information flow and what effect it is having on the market. That's also going to guide your trading decisions to some degree because price is either reacting or not reacting to that information flow.

On the other end of the continuum, for the longer term positions which are more rooted in the fundamentals of that specific country, there is also a price action component to it. We obviously are going to look at the charts and try to identify what the charts are telling us, versus what the fundamentals are telling us, whether it's consistent, or if it's not. So therefore, my model is spread along that continuum, but I think for those interested in learning, my intraday model is price action based.

Hugh Kimura: Oh, okay. You have a ton of videos in your members' area on your website. It pretty much goes through your whole strategy. I was really blown away by it because I've studied support and resistance before that, but when I saw your stuff, I was like – wow! That's a totally different way to look at it and it made sense to me.

Chris Lori: When we talk about price patterns, we are not talking about your standard Head and Shoulders, Gartley, Three Drives - these types of patterns. That's why I refer to them as price behaviors.

The behaviors can be broken down into what type of behaviors we expect at very specific times of day. The price behavior is in relation to the order flow moving through the interbank market. As you referred to support resistance, they are more or less our standard reference levels. Then within support and resistance, we are looking for fractals. I know that term is used a lot in FX and in trading, but the simple definition of a fractal is: repeated patterns of self-similarity reduced to every scale, which is effectively what we see in chart patterns.

We break down these fractals, look for repeated behaviors, and trade these behaviors. As you mentioned, I have this course, which is a beginner to intermediate course, and we have the [Pro Traders Club](#). We literally have countless archives of the teachings. In those teachings, it's all price action, price behavior, fractals, and price broken down.

There is quite a large number of our members who have succeeded, and it's interesting because once you see the breakdown of price, we share with one another and we are like, "This is amazing!" We just keep seeing this pattern. Because you have a common knowledge that you are sharing with one another you say, "Man, look how cool this is! Look how amazingly price is behaving in the way we anticipate."

The reason my trading is rooted in price action is because price action is the closest you will get to seeing the psychology of the market. So we are effectively trading in the psychology of the market through the behaviors that are repeated day-in and day-out.

Hugh Kimura: That makes a lot of sense. So when did you start teaching students?

Chris Lori: I was probably 6 or 7 years into trading, right around 2006. What happened was, a group had asked me if I would do a workshop for their members. They had quite a large membership base. I said, "Yeah, sure, I'll do a workshop for you." So I figured that they were going to give me the material and I was going to present their material. But they said, "No, we want you to present your own material."

I wanted to be consistent in what they were teaching and put in a lot of my own unique stuff, but they said, "No, create your own course." I said, "Okay, give me a couple of months and I'll put something together." So I put a little course together and said, "I'll give it a try." I really, really enjoyed it. I have some public speaking experience because of my status in sport in Canada. I was asked to do a lot of speaking and I enjoyed the speaking.

Teaching FX took a little getting used to, but I became very comfortable with it. I really enjoy it. What I also found was that every time I would teach, it was an exercise in revisiting a lot of aspects in trading that were very refreshing and very helpful to my current state of mind. My course now has completely changed since then, 7 years ago. Nonetheless, I really enjoy it.

Hugh Kimura: Very cool! You mentioned that you have quite a few successful students. Do you notice any characteristics that are common between those people?

Chris Lori: Absolutely, and this is extremely important. You will go out, explore, learn, and go to forums, and you will learn a lot of aspects of the market. As you are developing as a trader, you will very much depend on others to share information with you. That's a part of the natural process.

But at some point, you will have gone through the process of acquiring such an in-depth knowledge of the market and the exact set of parameters that you want to use to trade, also called your trading and risk model. You are going to have to become an independent thinker, based on the information you have acquired. So you have a level of confidence in the information you have acquired, a level of confidence in your psychological state, and ultimately make your own decisions. Once you start making your own decisions based on a concrete set of parameters, you will succeed in trading.

In my training and my mentorship, I don't say, "These are the parameters, these are the rules. Go out and copy it." That's not how to learn trading. You will not succeed in trading that way. So every one of my successful students has built a foundation of knowledge through our program. But every one of them has gone out to become an independent thinker, and they use their own set of parameters. The most proficient and successful trader that I know is a woman. Her name is Maria. She has four favorite trades: A, B, C, and D. I won't get into the details, but those four types of trades she has taken from my trading model. However, the manner in which she trades them is uniquely her own. The decision making parameters that she has created are uniquely her own. It is based on what she has learned from us, but she went on her own to become an independent trader. She's just a phenomenal trader. She has been through the process so many times.

You want to be at a stage in your trading, for discretionary traders, where once the trading decision is made, it becomes a natural process in how you react to price following the decision. To enter is a natural process, how you manage your risk is a natural process, and so on.

Hugh Kimura: I see. The question that just came to my mind was: do you recommend backtesting with historical data, or just strictly forward testing and trying to figure it out from this point forward?

Chris Lori: It's a very delicate combination of the two. What I have our people do is, let's say that we have a set of 10 parameters or 10 price behaviors for an individual to study. Of these 10 price behaviors, we have them engaged in exercises. You can combine two or three of the price behaviors and engage in an exercise. You can take one or two of these parameters and combine them. Let's say that you use [Forex Tester](#) software because you can get simulated data and speed it up at your discretion.

So you can go to your Forex Tester software set of parameters, and go through exercises at a highly intensive level. So what you are doing is constantly engaging in the market. You are watching these sets of parameters; some will be low probability, some will be higher probability. You can build large sample sizes through the software, or even in live time through a trading session.

So you build a sample size of, let's say fifty, a hundred, two hundred, or three hundred trades, where you are actually engaged in the experience, based on the specific set of parameters. For example, you could test trade the day's high or low, the day's Asian range, just the standard support resistance level on a 5 or 15 minute chart, a consolidation, or a fractal.

So every time a price hits its level, you make a demo trade. You make a trade and you set a stop at a certain level and a limit it at a certain level. Then you manage it accordingly. Move the stop to breakeven after you identify X, Y, and Z. Your whole view of the market, your whole approach becomes process oriented.

You are doing the exercise at a high level or intensity. But when it actually comes down to making a trade in a live account, because you have worked with a sample size of 300, 500, or 1,000 trades, the process is going to become automatic to you. You are only going to pick the high probability scenarios. Because you've built such a large sample size, you are going to know what's low probability and you are going to know what's high probability, based on the information you have acquired through these exercises. So when it comes to live trading, you are only going to pick the high probability ones. You are going to be process oriented. You are going to know exactly where to set your stop, when to move it to breakeven, when to take your first limit order, how much to keep in the trade, things like that.

So I encourage our students to engage in exercises based on a specific set of parameters. That internalizes your understanding of the market and it becomes a part of you. You have such an in-depth understanding of the market that when you're trading, your decision-making process becomes automatic. You automatically know when to and when not to enter, what price action is suitable, and what price action it is you want to stay away from. The market becomes a part of you. That's really what we are aiming to achieve. Then you will become an independent thinker and full-time trader at that point. There are no shortcuts.

Hugh Kimura: No doubt, I found [Forex Tester](#) and backtesting very helpful. But at some point you have to determine if you want to put in some money and do it for real. How do you recommend getting started? Is there certain amount of money that people should get started with?

Chris Lori: It's very individual, but what I recommend is when you start to trade live, as a result of your exercises and your testing, you will have established a certain protocol, so focus on one currency pair and one type of trade that you really like. In the meantime, you are still observing all the price behaviors that you have been studying, and you can start studying other currency pairs. But start with one

currency, one trade. Then go from one currency pair to two different types of trades, one currency to three trades. In the meantime, if one trade is becoming quite successful, then you can say, “Maybe we can add this trade to a second currency pair.” So now you have two currency pairs and one type of trade, because you have a high level of confidence in it and then you slowly build out from there.

For example, I’ve gone with the AUD/JPY and the GBP/USD, I have my favorite trades and I stick to those trades. Other times, based on my combined knowledge, there will be certain trades that are a bit tough to identify in terms of being able to explain why I’m taking the trade. But because of my understanding of the market, I have a really, really good sense of what price is doing.

Nonetheless, try to be focused. If you’re running around trading on a lot of different currency pairs and place a few trades here and a few trades there, that is just too random and you are not going to succeed.

Hugh Kimura: That makes a lot of sense. Maybe we can shift gears a little bit here. What really interested me about you is the fact that you manage a lot of funds. How did you get into that?

Chris Lori: My mentor really got me into price action. I kind of had one foot in the door with price action when I started trading live. So I had a few trades that I really like that I stuck with. My mentor and I were brought together by an analyst friend of ours. He said, “You guys are very similar in your approach and you guys should get together.” So we got together. We started chatting and the chat was very much about price action. What happened was, we started at about the same time, but he accelerated. Just a very bright and insightful guy. He started exploring price action more, which I thought was very interesting.

We would start together and do a lot of backtesting and a lot of studying until our eyes were bleeding. When I was working with him, we started to manage funds together, some small funds. From there on, things went well. He ended up having to have a couple of eye surgeries because of the strain on his eyes. But we ended up doing fine and moved on. I retained a couple of clients and started trading for them. Then I got some exposure to the Singapore market and started to take on different types of trading, more fundamentally grounded trading. That's when I got into the AUD/JPY and started to focus on that currency pair.

When you work with a client, you are actually engaging in a whole new process and you have to adapt to whatever requests they are making of you. Of course, spot trading is one thing, but when we started this AUD/JPY trading it was very interesting. Then I basically gravitated toward it and it became my primary and most liked and most consistent currency pair to trade. The managed funds kind of evolved. Then you get a few clients who are confident in you, and it kind of just goes from there.

Hugh Kimura: So if there are people out there who have a good track record and want to get into managing funds, how would you recommend they get started?

Chris Lori: Anybody who wants you to manage their funds are going to want to see your track record. A couple years out is good. A two-year track record should get you some initial funds.

I don't really recommend trading for family and friends. It's usually not a good idea. Certain situations can arise and can be a challenge for you. It's usually best to have a 3rd party and set out and with an agreement. What I recommend is that you start out with a little pocket change and gain some consistency. Word will get out about your trading, and some interest will come your way. It usually comes down to performance.

Just to let you know, some of the companies that will introduce funds, there are number of them out there, they like to see the day-to-day volatility in the account. They want to know what the net asset value is at the end of the day after you close your trades. They are going to look at the volatility on your trading. So if you're up 11% one day and down 8% the next, they don't want that. That's too much volatility because as soon as you take five losses in a row, you're going to be down 30%-40%.

People don't want that, they want good steady risk with low volatility. Your risk model is going to have to be really tight. You have to present a very tight risk model in terms of your processes as well.

Hugh Kimura: I know you mentioned it before, but maybe you can talk about your websites and what you do on those websites.

Chris Lori: Yeah, you bet. It's been a real pleasure having my own websites. It's really been a pleasure just to be able to share information. We effectively have two websites, and I have a partner. His name is Joe and he's really in charge. He's the boss because if there is no Joe, there is no public figure, Chris Lori.

But we have ChrisLori.com, which is a free website. On that website, there's free information and videos. I strongly recommend this video series: "The Essential Qualities of a Successful FX Trader." Go through those videos to understand what you need to do to succeed in trading because that will explain everything.

On that website, we have free videos for you to learn from. We try to update it and add new videos. If we do a webinar, we post it there. There's a very good one there now called "Price Inefficiencies." It's a price action webinar. Go in there and check that out.

So that's a free website. We don't sell things to people. We're not pushing sales. If you come to our website, if you think that there is something there that you might be interested in, and if you want to buy a product, then go to ProTradersClub.com. That's where our products are listed. There's nothing "salesy" on them. It just gives you the facts and information on the various products and services we have available. If it appeals to you, great! If not, no worries. You can keep coming to our free website.

If you join Pro Traders Club, it's recommended that you take the course first. The course is very inexpensive; it's only \$400.00 for the online course, which runs for 35 hours. The Pro Traders Club is for high level concepts, that's where the higher level concepts are shared. There are countless video archives in the Pro Traders Club and you can review all the teaching videos in there. There are hundreds of them.

We also have workshops. We have workshops from time to time where we methodically go through the higher level concepts which are not shared in the courses. They are in the [Pro Traders Club](https://ProTradersClub.com), but they're not organized like they are in the workshops. Check our website for the latest workshop. We are having one in May, but this recording will probably online for a while. So just check our website at ChrisLori.com for the latest workshops.

I'll also say that almost everyone that has succeeded has been to at least one workshop. But we only have one a year in the States, so hopefully you can get to it.

Hugh Kimura: Yeah, I definitely want to make it out there. I really like the Pro Traders Course. It really helped me a lot.

Chris Lori: Thank you.

Hugh Kimura: And you recently came out with the AUD/JPY course too, right?

Chris Lori: Yeah. The [AUD/JPY course](#) was originally developed for another party. That party fell through, so I still had the CD's from it. So the AUD/JPY course has a CD component to it and we also have an online component as well. So you'll get actually get CD's and then you will also get additional information for the course that's available online.

It is my favorite currency pair to trade. In my view, you can trade that pair and that pair only, even when it is sideways. It's not as volatile as the other pairs, and you have carry in your favor, for the time being. We explain all that in the course.

Hugh Kimura: That's the only course that I've seen that specializes in that one pair. So I definitely want to check that out in the future.

Chris Lori: You bet. We'll get one to you!

Hugh Kimura: I'm pretty much out of questions. Are there any last words that you want to say to people who want to get started in Forex or maybe have started and are a little stuck?

Chris Lori: Yeah, people send me a lot of questions about how to get out of being stuck, or how to succeed in this business. That's what inspired the series of videos that I have at ChrisLori.com, in the free member's area.

Sign up as a member. If you go through those videos, it's probably 3 hours long or so. If you go through those videos, it should answer about 90% of your questions on how to succeed in trading. If you have any other questions, from time to time, I am free to take phone calls and you can call me. But go through those videos and

that should help you understand the process in which you should engage to succeed in trading.

Hugh Kimura: Very cool. I really appreciate you taking all the time, Chris. It's great to talk to your for the first time actually, right?

Chris Lori: Yeah. You and I have been in touch for a long time now and we finally get to talk. So stay in touch, Hugh, for sure. It's been a real pleasure, any time.

Lessons Learned

As we learned in the interview with Chris Capre, athletes many times make the best traders because they know what it takes to master a skill. Chris Lori is a perfect example of this. He excelled at two different sports and ultimately became world class at bobsledding. However, you don't necessarily have to have been an athlete to be a great trader. In fact, Chris Lori says that anyone can harness any success that they have had in life to become a better trader. Just imagine the biggest success in your life and remember what you did to achieve it. This will give you the clues you need to understand how to succeed at anything.

One important takeaway from Chris' experience was that he backtested like crazy with his mentor until he found things that worked. They did so much backtesting, in fact, that his mentor had to get multiple eye surgeries! Now that is dedication. Of course, I hope that you take frequent breaks when you are backtesting so you don't suffer the same fate, but his story really drives home the fact that you have to put in the time to become successful.

You might think that managing other people's money is all about maximizing returns. But as we have learned from Chris Lori, low volatility is really the name of the game. On top of that, Chris mentions that you should never manage money for friends or family. The next interview will give you a prime example of this. So if you are interested in becoming a money manager, hopefully this interview gave you some key insights into what it takes to do that.

Finally, Chris mentioned that he has a favorite currency pair, the AUD/JPY. This is a key point because it goes to show that you don't have to trade every pair under the sun to trade well. If you understand the "personality" of one pair, it is possible to specialize. It just depends on your personality and if you feel more comfortable with one pair or many pairs. Backtesting and demo trading can help you find out what works best for you.

Walter Peters

Why He Quit His Dream Job

The Backstory

Walter discovered my site at the airport while he was waiting for his next flight. While sitting in the boarding area, he shot me a quick email. He suggested that I interview Colin Jessup for my next interview and that interview turned out really well. If you want to listen to it, you can find it [here](#).

So of course I had to have Walter on the podcast too. When we sat down to chat, he was really generous with his time and we talked for over an hour. In this interview, we got into a lot of things from his background and his trading experience.

The thing that made the biggest impression on me was how dedicated he was to learning the craft of trading. Before he learned about trading, his dream job was to be a jury consultant. But after learning about trading from a good friend, he decided that he wanted to dedicate all his time to learning to trade. This led him to travel halfway around the world and build his life around trading. We get into his journey in the interview, but it is an inspirational story.

His education was not completely useless, though. Being a jury consultant meant that he had to have an intimate understanding of human psychology in order to select jurors who were most likely to help his clients win their cases. Walter actually has a PhD in psychology, and it helped him understand what leads to success in trading. He talks about the psychology of success quite a bit in this interview, so be sure to take some notes.

Trading aside, I found Walter to be the ideal lifestyle-centric trader. He loves trading from Australia because he can trade the London session and he still has enough time to surf during the day. His positive disposition really shines through in his tutorial videos and when you speak to him in person. He surfs often and he gave me some great tips on where to surf in the San Francisco Bay Area.

There are some great resources mentioned in this interview. Find out what has inspired Walter over the years and what he thinks is the greatest gift Donald Trump has given his children. I now proudly present my interview with Walter Peters.

The Interview

Hugh Kimura: So, how did you got started in trading?

Walter Peters: Great question! So I started Forex trading back in the late '90s. Everybody was pretty much trading Internet stocks. But that was not really trading. It was like riding the bubble train, right? So everyone, of course, was a genius back then. So I did a little bit of that, but that was not really my thing.

I did a degree as a psychologist, so I had a doctorate in psychology, in experimental psychology, and I had a minor in statistics. So I was really into decision making. That was sort of my field, cognitive psychology and decision making. Then I landed a job which is exactly what I wanted in San Francisco as a jury consultant. For those people overseas, a jury consultant is one of those things that's restricted to the United States because of the way the legal system is set up there. In the US, jury consultants are called in when high stakes trials come up. So let's say Microsoft is suing Google. Both sides would have jury consultants. The OJ Simpson case was also a famous one, and actually my boss worked on that case as well.

So I was in this jury consultant world and I thought that it was the greatest thing ever! Then I got a call from my good friend Ashkan Bolour. He had been trading for years and years and basically had a background as a broker. He was a childhood friend, and he was featured in a book called [*Millionaire Traders*](#) by Kathy Lien in Boris Schlossberg, who were known for being the analysts at FXCM. Anyway, Ash convinced me to quit my job as a jury consultant (which was my dream job at that time) and to move from San Francisco down to Beverly Hills where he was at, to learn this Forex thing.

He sent me to this class and I had to go to this little office in the valley in L.A. and learn Forex Trading. And what we did was trade in the same office, because online trading was just starting to come around in '99 – 2000, around that time. Brokers like FXCM and Saxo Bank were just starting to show up.

So we had online charts, but we couldn't trade online. So we had to go to this office. We went into the office, we looked at the charts, and we decided when we were going to make trade. Then we said, "Okay, we're going to buy the Euro right now." Then we would run to the cage and there would be a little old lady in the cage. She would call Hong Kong and give us a quote on the Euro, which would have a 14 pip point spread.

That's how we started trading. We started trading from an office in 14 pip spread. Shortly thereafter, online trading came around and we were able to do it from our homes. But basically, that's how it got started. I totally sucked at it. I can remember it like it was last week. We opened up a little \$5,000 account and doubled it the first night. Then, 48 hours later, it was down to like 500 bucks. We were doing a lot of that. It was just wild stuff.

Ashkan got hooked into trading with the 3-minute charts and 5-minute charts because his background was in SOES trading, which is Short Order Execution Service, which was the Nasdaq thing and he was really good at a scalping, short-term momentum style and I sucked at it. I couldn't trade like Ashkan did. So my big lesson from those beginning days, and really the first three years of my trading, was that I had to find something that fit my personality. That's what I learned from my days with Ashkan. Even though he quickly figured it out and became really, really good at it, I was really poor at trying to duplicate what he did.

So that was like sort of the first lesson from me which was: just because something worked for Ash doesn't mean it will work for me. That's something that, as traders, we have to decide and define to ourselves. Are we a daily chart trader? Are we a minute trader? Are we a weekly chart trader? A momentum trader? A scalper? A trend follower? What do we do best? What fits our personality and our lifestyle?

So that's kind of what I learned from that phase of my journey, which was really three and a half or four years of just awful losing and blowing up accounts left, right, and center.

Hugh Kimura: Oh, man.

Walter Peters: Yeah. It was really bad.

Hugh Kimura: So did you go back to work as a jury consultant? Or did you get odd jobs, to just get by?

Walter Peters: What I did was, I moved to Australia.

Hugh Kimura: Okay?

Walter Peters: So what happened was, after working with Ash and trading with Ash, he started hooking into some money and started trading, and he was actually working with a hedge fund and it really started rolling for him. But for me, I wasn't really there yet. So what I did was I actually sold all of my possessions in California and I moved down to Australia. I'd been down here once, and I really loved it. I knew that I wanted to trade in a time zone where I could trade the London market, even though I was not trading profitably at this stage. I knew that the action really happened during the London market. And so if I lived in California, that meant living like a zombie because I would be working from 1 a.m., you know, and things like that.

Hugh Kimura: Yeah.

Walter Peters: So I moved down here to Australia because I can trade from 4 p.m. That was really attractive for me because I could really have my days open for

surfing or doing whatever I wanted. Then at night, I could trade, from 4 p.m.-5 p.m. Basically, that would give me the lifestyle that I wanted. Because I did not like what I had going on in California and I convinced myself that that might make it easier, as well.

So I sold everything. I moved to Australia. And then what I did was I went to the library read every single book in Australia, about trading. I read everything for a year. So I was sort of like in sabbatical, you know. It was sort of like, I holed up in a cave. That's when I found FX Street, the website. This was back in 2003. I found FX Street, the website, and there was not really like a lot in the Internet. Like now, the Web is dominated by Forex sites. Forex is everywhere, right?

Hugh Kimura: Yeah.

Walter Peters: You can Google "Forex" and you get blitzed by all this stuff. But back then, it was a little bit more difficult. So I was reading trading books, and I got inter-library loan books from every library from Australia. Books were coming from the other side of Australia. It was great!

I got this big stack of books, and I started learning what's going to work for me. That was sort of the first step along the way. Of course, I still was not good enough. So I went and got a job like you said. I did work in Australia for a few years. Mostly, just to take the pressure off my trading. But as you know, as an American living in Australia, you know the visa issue is always a problem. As an American, it's not that easy to live down here. So you really kind of have to have your visas in order. So it also helped me to do that, by getting a job.

I wasn't at that stage where I was making money consistently. So I got a job. I was starting to get to the point where I was a breakeven trader, which was really exciting

for me. So I had a job as a breakeven trader and I thought that it was going to be right around the corner.

So that's kind of how I progressed. I went from blowing up accounts, to being a breakeven trader and then to getting a job to take the pressure off. Then from there, it got a lot better, but it was really hard at the beginning, for sure.

Hugh Kimura: Wow! That's a lot of dedication to move to Australia for your trading. That's pretty hardcore. You said you read a lot of books. Who were the people influenced you the most, in terms of authors and educators?

Walter Peters: You know, the one that really clicked for me (because this came out around the time when I started getting to that breakeven stage) was [Come Into My Trading Room](#) by Dr. Alexander Elder. I thought that was a brilliant book.

That's when I first saw a pattern, which is still today one of my staple patterns: the Kangaroo Tail. He mentioned that in sort of a little text box in one page in the book. I basically spent years, well a decade basically, testing and trading that one pattern.

So his approach to trading, I thought, was really cool, the way he had his journals and everything, and I liked that pattern. So he was one of the biggest influences on my trading, Dr. Alexander Elder. Then I was really into Gann stuff, but I jumped out of that. I think that's a rabbit hole that's easy to jump into. This idea that you can perfectly time the markets, every time. I haven't found that to be the case. So I jumped out of that. But probably if I had to put my finger to one, I'd say that I enjoyed the content of FXStreet.com, and I enjoyed what Dr. Elder had to say about trading. That really helped me.

Hugh Kimura: I see. Did you take a mentoring program? Or was it just a gradual progression to profitability?

Walter Peters: No, I didn't. It's an interesting question because I'm assuming that you're talking about like trading mentoring.

Hugh Kimura: Yeah.

Walter Peters: I have actually found that working on other aspects of my life has helped in trading much more than the trading courses or the trading books that I've bought. So for example, I have a book called The [Tao of Trading](#) which is all about the psychology of it. And of course, the Wizard's books are really good as well. There's a book in Australia called Everyday Traders by [Nick Radge](#). There's an interview in that book that completely changed my thinking. He was a Forex trader, because not everyone was a Forex trader. But there is a Forex trader in there, and it really turned my thinking inside out.

To sort of answer your question, it was in a roundabout way, by working on my psychology and my thinking that my trading really changed. In other words, it's really easy to focus on the wrong things in trading.

There's this idea that there is this secret system that is really, really powerful and is going to make you make you a lot of money. Or if you do this just like that ex-bank trader does, you're going to make a lot of money. But really, what it comes down to, is working on ourselves. That's what I found, working on my psychology.

I'll give you an example of what I mean because I know it's sort of nebulous, the way I am describing it. Let's say that I'm a trader and I have a \$10,000 trading account. I decide that if I can only make \$1,000 every month from my trading account, I would be set. I would be so excited, right? That would really make my day, and I could be a professional trader. Because then all I really need is a

\$100,000 account and then I could make \$10,000 a month. I would be done, I would be the controller of my own destiny. I could quit my job and all that.

Now, let's say someone else says: "For me, it's really only going to work out if I can double my income that I'm making from my job every month." So let's say this person makes \$7,000 per month, or whatever, so he's looking to make \$14,000, right?

Hugh Kimura: Yeah.

Walter Peters: So the mindset is that one person has set the bar really low, at a thousand dollars a month. The other person has set the bar much higher saying, "I want to double my income right now from my working life, in my trading life."

The idea here is that some people are thinking in terms of just a little bit better than where I'm at, and other people are thinking these big goals and these big things, right?

What I found is that if you really push yourself and stretch yourself, that's when the real gains are made. Psychologically, so much focus for traders is on the right entry strategy, and the right this, and the right system, and the right platform and all that. When really, if we look inside ourselves, that's where the really strong gains are made, in my opinion.

Hugh Kimura: Okay, very interesting. On the psychological side, are there any surveys or books that you can read that would give you better insight into what would make you a good trader?

Walter Peters: Yeah, I wrote a book called [*Naked Forex*](#). At the end, it talks a little bit about that. But I don't think you have to read that book to know that the thing

that happens with traders is that we are sort of the masters of our own destiny. When people are thinking about money, and when people are thinking about rich people, or wealth, that little part of your psychology is going to do a lot more for your trading than anything else.

Let me give you an example. If I'm a trader and I have a \$50,000 account, and every time I work up that \$50,000 to a hundred grand, I magically have a huge hit against me. I wipe out 30 grand or 50 grand, or whatever. Just like (and this is a sad story), but just like the woman who was abused as a child, she ends up falling into these relationships with abusing partners, husbands, or boyfriends, and it just keeps going on and on, until she works on her psychology.

We have the same relationship with money. If I'm walking down the street and I see some guy who's driving down in a Ferrari, what do I think about that guy? You know, what do you think about this person when you see this guy? Are you thinking: that guy's is filthy rich, he's dirty, he screwed over people to get that money? Or are you thinking: that's great! He's a real go-getter?

These sorts of things are the things I think about in terms of psychology. Because I know that if I think of wealth, and riches, and money as evil, then how am I going to ever get to that point where these things are coming toward me? How am I going to find these things if it's not something that I want to do, or something that I seek out?

Like for example, I remember as a child hearing my mother always talking about those "filthy" rich people. So what is that going to do for me when I'm trying to take a trade and trying to make a boatload of money? Does that mean that I'm going to be a filthy rich person? Am I going to be a bad person if I have money?

I think those sorts of things are really helpful. And that's why, you know, people think I'm crazy when I say this, but I think the best thing that Donald Trump's children have, is not the fact that Donald Trump has a huge line of credit and a lot of wealth. To me, that's not the value of having Donald Trump as a father. The real value of having Donald Trump as a father, and I don't even really know much about Donald Trump, I haven't read his biography or anything like that.

I just know that the guy has gone belly up and have gone bankrupt a few times, he's declared bankruptcy and he's found a way to get it back. That to me, that mindset, that I'm sure would rub off on his children, is invaluable because that means that those kids know that no matter what happens in my life, I can always come back. You know what I mean? It's sort of that phoenix from the ashes sort of thing.

That mindset is so powerful and that's the sort of thing that I think can help traders. Knowing that, you know, the relationship with money, it's something that a trader wants. He enjoys the money or she enjoys the money.

He enjoys being wealthy and understands the responsibilities that come with that. That's the important thing traders need to grasp. It may not be the entry strategy, it may not be those two moving averages crossing over that we should be focusing on, it may actually be inside, and what I think about money, and what it means to me when I start making boatloads of money. What is that going to do to me? What does that mean? Does it mean that I'm going to be proud and happy? Or does it mean that I'm becoming one of those filthy rich people? You know?

Hugh Kimura: Yeah. I totally agree ,and a lot of people say that they want to make a lot of money, myself included. But when you really start talking to them, those little things come up. Like, "Oh yeah, he must be a drug dealer," or something like that.

Walter Peters: Yeah.

Hugh Kimura: That's something you have to work on. It's really hard.

Walter Peters: Oh, it's so true. It's a never ending process! I was just listening to a guy the other day on another podcast and he was talking about how he journals every day, especially when he has a failure. This is really good for traders when we have a failure. Journaling about what happened and what he learned from that.

It helps open up his mind so that he can get into that point where his relationship with money is sort of patched up, and he understands that he can maximize his wealth earning potential. Because when he's writhing down his thoughts about what happened when he has failures—failures and successes, he writes both of them—he's constantly working on his psychology so that he can attract and maximize his earning potential.

Hugh Kimura: That's a good point, very cool! So I guess, as we saw on the last podcast, we were talking about Colin Jessup. He's one of your students, a very successful one at that. When did you start teaching?

Walter Peters: It's interesting because I don't know how he found me. When I first started doing this, I put a website out with my trading statement, and I thought people would just come to me and say, "Oh let's work together." Boy, was I wrong! This whole Internet thing is like, there's way more involved than just putting a website and saying: "Here's my statement, if you want to learn how to trade."

I don't know how Colin found me, but I think he heard from somebody, or something, but we talked. We talked on the phone and the thing that struck me

about him was that he was willing to put in the work. That's the consistent thing that I see with traders who are doing really well.

It's interesting because he's also one of the traders who's done really well and keeps in contact. A lot of traders who actually do well, they just go away. You don't hear from them. I found out in psychology, that's a normal part of the relationship mentoring relationship. In the beginning, the student just listens to the mentor and says, "Okay, I'll do exactly what you're saying." That's what happens. Later on, the student's thinking, "Well, hang on, I think I can do that better than the mentor." It's a natural part of that progression. The student starts thinking that he or she is better than the mentor, and the student breaks away.

Although from a mentor's point of view, it may be easy to say, "Oh that really stinks and I can't believe that student is not listening to me anymore, doing it this way, instead of that way." No, I think that's great! I think that's almost how it's supposed to be. The student goes away having much more confidence in his or her method, and the student can go away on his own and do well.

But Colin has kept in contact. What struck me about Colin was that he backtested the crap out of his strategy. He stuck it to Forex Tester. Like he said the other day, I said, "Don't do this without testing," and he said, "Oh, I don't even do that anymore." He's way too savvy to just jump into a trading system and just start trading it live. He understands that he needs to go through it and pick it apart and really figure out what's going on with the trading system, through testing with it with [Forex Tester](#) before he uses any sort of live account on it.

So he's really smart that way. That's really the consistent thread; all the traders that I know who quit their jobs and are living in a tropical location or some place that they want to live, they have all got this in common: they have all done the work. They've done the backtesting.

Hugh Kimura: Interesting. Let's take the other side of the coin. What do you see in people who don't succeed? What is the common trait?

Walter Peters: Well, I hate to say it, but if you haven't had any trading experience and you go straight into Forex, that's usually from the get-rich-quick crowd. So we want to just jump into it and start making money, right? We want to start accumulating that wealth, and we don't think about the traps. We just jump into it straightaway and we want that cash. We want to supercharge our account and just take off.

Well, it's not a jackpot thing because, as you know, it's a job. You have to earn your pips, you have to backtest, and you have to look at everything. I mean as traders, most Forex traders look at how quickly an account can grow and they don't think of other things like what's the risk of ruin? What's the risk of my account blowing up? These sort of things that statistically, we should be thinking about in terms of probability and we don't. So I would say that usually we would think about the carrot and we're not thinking about the negative things that can happen.

The other thing that is unfortunate for us humans, and this is where I think pop psychology is wrong, is that when we hear people say humans have this "fight or flight" thing, right? You've heard that before?

Hugh Kimura: Yeah.

Walter Peters: So we have heard about this "fight or flight" thing, where you are presented with a problem and you are either going to fight it or you're going to flee and run away. Well, that's not actually the case if you look at the natural world and even with humans. Although fight or flight are possibilities, that's not the most likely way of dealing with a problem.

Usually, when we are under threat, when we're stressed, when we're in a situation where we're presented with a problem, we don't fight or flight. Although we can, what we normally do is we freeze. As a trader, freezing is probably the worst thing you can do.

I can say that my trading really suffered for years and years because of this freeze thing, and it happens all the time. Like when you're walking in the woods and you hear a noise. Then you think, "what was that?" We freeze, right? Animals do the same thing. If you see a deer or something in the woods, a lizard or whatever, usually what will happen is the animal will freeze when it knows that you are in the vicinity. That's the number one response we have as animals is we freeze.

So if you are a trader and you are using this strategy, you have a trade that's going badly against you. Instead of dumping that trade, which would be the flight, right? If we were to flee from the trade, we would just get out of the trade that's going against us, right? Just get out of here, hit our stop, and we're done. What we generally do is we freeze, right? We freeze and say: "Okay, I'll give this trade a little bit of room and I'll move my stop," right?

Hugh Kimura: Yeah.

Walter Peters: I used to do that all the time!

Hugh Kimura: Me too.

Walter Peters: I don't know what's going on here. It's not doing what it should. So I'll just freeze and move my stop and give it more room and see what happens next. What happens, of course, is you'll get even bigger losses.

The other thing you can do is you could fight it. If you could fight it, what do you do then? Well, okay, it's going against me 150 pips. Okay, I'll add another one.

Hugh Kimura: Yeah.

Walter Peters: That sort of Martingale thing. So fighting it also doesn't work. The only one thing that really can work for us, is to flight, or to get away, or to let it hit our stop, or dump a losing trade. So that can work for us. But we really have to focus in on that and get away from fighting or freezing.

Hugh Kimura: Good point. Maybe we can get in a little about your trading method?

Walter Peters: Yeah.

Hugh Kimura: You talked about your book Naked Trading.

Walter Peters: [Naked Forex](#).

Hugh Kimura: What is that about and what is involved in Naked Trading?

Walter Peters: Yeah, Naked Forex is just about all the stuff that's on my website, by the way. I have webinars on FX Street. So I give away as much as I can for free, right? So you know, this stuff is all in my website, videos and all that stuff and the books as well.

Essentially, what we are doing is we're trading off support and resistance, that's it. That's all I do, I trade off support resistance. So what I'll do is draw on my chart this support resistance level as simply those places in the chart where price has reversed repeatedly. That's it, that's all I'm looking for. The easiest way I have found

to do this is to use the line chart. Especially when I'm in the beginning stages of doing this, so it's not the sort of thing that I'm used to doing. What I'll do, is instead of using candlesticks or a bar chart, I go to a line chart, which just connects closing prices and I look for those bends in the chart. I draw all of my support and resistance zones, on those bends in the chart, then I wait for price to get there. Once price gets to one of these critical levels, it's got to print out a pattern that's either a breakout pattern, and will explode outside of that support resistance level, or it prints a reversal pattern, where it's going to turn around there. So that's it, that's all Naked Trading is.

It's simply waiting. It's a lot of waiting. We're waiting for price to get to support resistance, and then we use one of these very simple patterns like the Kangaroo Tail that I talked about from the Dr. Alexander Elder book. That's one of my most successful and most popular trading setups.

In fact, yesterday I got an email from a guy in Norway who didn't even buy my book. This fellow from the FX Street conference in Barcelona won the book. Whenever I go to speak I like to give stuff away 'cause I hate it when people try to sell me stuff.

You know what I mean? I try and give as much as I can for free. But when it starts getting into my time, then I'd have to charge people.

So I gave him the book and he sent me an email just yesterday. He sent me his spreadsheet, and he was testing these simple naked systems like the Kangaroo Tail. He was trading the EUR/USD on his backtesting software, Forex Tester, and he worked up his account to 74.9% profit, just trading the EUR/USD on the daily chart, with just the Kangaroo Tail.

So these things work. I know they work because I've used them, and I know because I've got this inbox full of people like Colin and this guy saying, "Wow, this is great!" That's why I do it: because I love it. You know, let's face it. As a trader, it's easy to be disconnected from the world, you know? I work at about 4 or 5 p.m. and take a look at the London open and see what's happening. Then all day long when everyone is at work, I'm surfing or hanging out. A lot of my friends are retired and in their 70s. It's true! I know all of the 70-year-old surfers in my town. It's easy to feel disconnected, as a trader. It's a nice way for me to connect with people by having emails, webinars, and things like that, where I show people what I'm doing. My payment a lot of the time, for the people who are getting all this stuff for free, is that they just say, "Thank you so much! This is awesome, look at what I did."

I got another one, too. Actually before we got onto this call, another guy wrote me and said: "No more indicators. No more this. No more that. I'm just going to go Naked!" He's excited, some guy in Mexico. It's awesome! It's so cool when I get these emails!

So that's what it's all about. It's sharing this opportunity that we have because 50 years ago, we couldn't do it, right? If we wanted to be a trader, we would have had to go to a bank, or work in a pit with a bunch of ex-college football players and things like that. It was a hard living, but you can do it from Honolulu and I can do it from Sydney. Now you can do it anywhere you are. You can take these trades off your computer and you can make a living and it's just great!

This is why I love to share this stuff, because it's good fun, and I know what it's like to struggle. I know what it's like to lose and wonder if I'm ever going to make it because I've thought about that for years. Really, the only thing that kept me going was knowing that my friend Ash was doing it and doing it well. So I knew it was possible.

Hugh Kimura: So what's the biggest attraction for you, like what kept you going besides your friend being able to do it? Was it the psychological challenge, or what was it?

Walter Peters: Well, I suppose for me it was, I don't know how to say this, but since a young age, I had in my mind that my life was going to be a certain way.

Since I've been 8 years old, I could think back and go, think back and say, you know what it was like stepping into the future. You know what I'm going to live like this. I would see people going to work and even today like you could walk by the bus stop, where people are queuing up to get on the bus and go into the city, in Sydney where I live. All these faces, these people looked sad. You know what I mean? They don't look happy. From a young age, I said, you know what? I'm never going to get to that point, where I'm just doing something because it's the right thing to do and I'm a zombie, sleep walking through life.

I always knew that I would have a life that was one that would be, that I created, that I wanted, you know what I mean? When I found Forex trading, when Ash turned me on to it, that's when I said, okay that's it. I knew that was it. So even when I still had a job, even when I was a break even trader, even I was a losing trader, I knew it was possible. I read the interviews in Market Wizards and Everyday Traders. I read these books. I knew what people were doing it. I knew it was possible. I just had to get to that point where I could do it. I knew it was possible, and so working on my psychology was really the thing that helped me the most.

Thinking about, what does it mean to wealthy? Does it mean you're a bad person? No! What does it mean to have a big chunk of money? Does it mean that you're evil? No! What does it mean to take a trade and have the trade pull in fifty thousand dollars? Is that undeserved money because you didn't work a whole year for that? No!

These are the things that had to I teach myself in order to get to the point where I could live the trading lifestyle that I always wanted. It was really focusing in on the psychology. So I guess as a psychologist, a person interested in decision making, and after spending five years of my life studying how people think, I knew that was really important. I knew that if I could change my thinking I could change my results in trading.

So I guess that what kept me going other than the fact that one of my best friends was still making a living and doing it.

Hugh Kimura: Ah, I see. So I just have one question that I get a lot is, how much money do you need to get started? It depends on your system obviously, but I just need to hear your opinion on that.

Walter Peters: Yeah, to be honest, that's a difficult question to answer. For example, if I lived in Thailand I could have a really nice life, making a thousand dollars a month. But if I lived in London there's no way I could live on a thousand dollars a month. So it depends on where you're at. You could live in Costa Rica, in Nicaragua, or you could move to Honolulu.

There are vast differences, so it's hard for me to say. What I like to say is that, instead of a dollar amount, why don't you get to the point where, whatever your income is—like in Australia we have the DOL, which is like unemployment. Basically, you can be on it for life. Whatever your income is, it could be the DOL, it could be your job—when you get to that point where you actually double it and you can do that for six months. In other words, if I'm making \$5,000 a month and I'm making \$10,000 a month trading and I do that for six months, and I've made a year's worth of my salary in six months, then I'd start to think about it. So think about it in terms of your lifestyle. Can you double your working income for six

months? If you could do that, then I think that you're well on your way. But that's kind of the last step.

What I try to stress to the traders that I work with is that it really is a three step process. You get your system and you backtest it in Forex Tester. Once you backtest it with Forex Tester you should triple that account, and that's just with a small amount of risk, one percent risk or one and a half percent risk. So what that forces you to do is take a lot of trades, right?

So you triple your account, then what you do is you take that same system and you forward test it with a demo account. Same thing, it's just now it will take a little bit longer because you're in real time. So you triple that account also. Then you take a tiny account. "Tiny" is a relative word, tiny to me might be something totally different than it is to someone else. Someone's tiny account maybe someone's dream account. It depends, but in that same tiny account you triple it as well. So now, what have you done? You've tripled it in Forex Tester, so you've built your confidence up in the system. Then you've done it in real time, so you know what it's like, unfolding in real time. Forex Tester is a little bit deceptive because you can just hit the space bar and blow through a whole of month in a couple of minutes. So that's a little bit tricky. Then, finally, a real account. Real money is different from fake money like in the demo, and now I've done that. Now I can move to my real account, and now I can start looking at doubling my monthly income that I'm getting from my job.

So to me, that's kind of the way I think that is best to approach it is to look at it in terms of steps, just slowly getting your confidence level built up. Because there is going to come a day when you get ten losing trades in a row and the question becomes, do you dump your system and scrap the work you have done for the last couple of years and go searching for something else? Or do you stick with it because you have the confidence that you've built up over this three step process?

That's really how I try and help people. By helping them see that if you really approach it like a job and you take these steps, you will get to that stage where you won't run through that cycle of doom. That cycle of doom where you're looking for a new system, you find the new system, you trade it for a while. You get a drawdown and you dump the new system and look for a new system. You find a new system, you trade for a while, and you dump it. That cycle could go on forever and ever, and indicators in my opinion make it really easy to get into that cycle. I can trade a system with an indicator and then I could go: you know what? This doesn't work. I've been losing for three months, and I can throw away that indicator and I can never look at it again on my chart.

But if I'm trading price action as a Naked Forex Trader, I'm always going to see price action on the chart. I can't get away from it. So that's another reason why like Naked Trading. It forces you to see the market in a certain way and you can never really get away from that. Hopefully that answers your question. I understand where you're coming from, but I think in terms of lifestyle, everyone is coming at it from a different point of view. To me, it makes sense to make that three step process.

Hugh Kimura: Oh yeah, that's a great answer. That's exactly what I was looking for. There really can't be a certain dollar amount, because it depends on your system and it depends on your lifestyle. So in terms of numbers of systems, people have this thing with trading maybe two or three systems. What do you say to that?

Walter Peters: Well, it's hard for me to say not to do that because I do have several systems. But again, I've been coming at this from a point of experience. I've been doing this for 12 years now, albeit not profitably for 12 years. So this is how I tend to do it: whenever I get an idea, or someone gives me an idea, or I take someone's idea and I tweak it, which, by the way, that's another thing that I learned from Dr.

Alexander Elder's book, about those traders who take something that they've learned and they make it their own. Those are the system that people stick with. If I say I'm going to follow Hugh's system, it's because I know he's a good trainer and I've seen his results. So I'm going to do what exactly Hugh does. It's really hard for me to do that, because it might not make sense to me. It might not perfectly fit my personality. It's actually better to take pieces of what Hugh is doing and take his system and tweak it a bit, so that it makes sense for me so I stick it with it over the long haul.

So, generally speaking, what I'll do is I test it with [Forex Tester](#). Most of the stuff that I get or come up with is totally junk and just dies at that stage, and I never go any further from there. But if it does make it through the three step process, where I run it through a demo account, a smaller account, then I'll start trading it live. I've got over 20 different systems that I use, but the important thing, though, from my point of view, is not that I have 20 systems. It is that I've become an expert on each one.

This is something that I really try to get through to people when they first start trading. You really don't have to have 35 different systems to trade. If you can do one thing and you can do it really well, then you're good as a hedge fund. There are hedge funds out there that do one thing, and they do it extremely well. They know exactly what they're doing, and they've got the probabilities down. They're like casino, just raking it in. Really, that is all you have to do as a trader to get over the hump and go pro. You just have to do one thing and do it well. After you do that one thing for four years, then maybe then you want to look for a second thing, right?

But the important thing is you don't have to. You really don't have to. You don't have to freak out because you only have one or two trading systems. You can just slowly build it up over time. That's what I have done, because once I'm to the point where I'm putting a kangaroo tail trade on, I don't even think about it anymore. I

don't lose sleep over those trades anymore because I know that a certain percentage are going to lose and certain percentage are going to win, and I just let them ride out. But with these newer systems, I have to put them through that three step process before I can get to the point where I'm really comfortable with them.

That's what I encourage people to do: focus on the one thing in the beginning. One timeframe, one currency pair, one system, and whatever it is, get really good at it first.

Hugh Kimura: Yeah, that makes a lot of sense. Besides the testing and doing the trading things, are there things outside of trading that you do to improve yourself, improve you mental capacity, or anything like that?

Walter Peters: Yeah, I read personal development books. Particularly those books around the idea of money and your relationship with money. Those books are really great, and there are tons of really excellent ones out there. Some of them are old. Some of them are new. But the idea is that you have to really look at yourself and ask when you were young, what was your relationship with money? What was your family's relationship with money? Did they grow into boom and bust periods, where someone's lived in a family where a whole bunch of money came in and all of the sudden it dried up?

What do you remember your parents saying about rich people? Was there a lot of envy there? Where rich people evil, like you said, were they drug dealers? Those sorts of things, there's a lot of trash talking in terms of wealthy people, and that's something to work on. That's something to really take a look at because we don't want to get into that stage, where as a trader we build up this account, we've built up this lifestyle, and all of a sudden we lose it all or we lose a huge chunk of it simply because our psychological foundation is shaky.

So I think, for me, that's the most critical thing that I try to get through people. Your relationship with money and how you view wealth is going to be the end result. In other words, you just get what you trade for. You know, life has a funny way of working out, like if I am a trader and all I can ever think about is the fact that I should be able to make about ten thousand dollars every EUR/USD trade I take. Well, that's about the ceiling for me.

Now if I'm a trader and I think that I could make \$570,000 on every EUR/USD trade, then all of the sudden, my ceiling has changed and my whole perspective has changed. That's the kind of thing that I try to get across to traders, which is you define your reality. The amount of money you make as a trader is going to be defined by how you view yourself and what you think you're worth, and what you think your time is worth sitting down watching the charts for two hours. Is it \$500? Is it \$5,000? Is it \$100,000?

That's the kind of thing that people don't think about in trading. They think about the shiny new system, and they don't think about the psychology of it. So to me that's really where the majority of the work should be placed. Once you get the system you're comfortable with, of course, that's really where the gains are going to be made.

Hugh Kimura: Great stuff! Is there anything you think I missed that you wanted to talk about?

Walter Peters: No, I think we've done a great job. Sorry for being so long winded, there are just certain things I wanted to get out because I want people that are interested in this stuff to hear it.

The main thing that I would say is if you are a trader and you're not doing well, you're losing money like I did for four years, if that sort of thing is happening to you,

it's important to remember that as long you have a system that fits your personality, it will work for you. You just have to put in the time. Do the testing in Forex Tester, do the demo testing, open up a small account. A lot of people don't start with a very small account; it hasn't even occurred to them. They just think if they're going to trade the account, they are going to trade their large full account, the only account they have.

But the small account thing is really good intermediate step because it gets you used to the idea of losing or making money, even if it's only a few cents per pip. So I would say, really focus in once you get your system down, become an expert at that and really focus on psychology and money management. It's really the same thing because if I'm staying up at night thinking about this trade I've got on the GBP/USD, that tells me one thing, which is that my position size is too much. That money management thing. Same thing if I'm in a trade and the trade has made so much money, but it hasn't reached my profit target. I said, "wow this trade made \$7,000, but it hasn't hit my profit target. If it hits my profit target it's going to make \$16,000. There's no way I can wait that long, I'll just take the \$7,000 now."

That's psychology too, because what else will I allow to happen? Will I allow my ceiling, my limit, to come on and cap that winning trade? My winning trade has been capped by my thinking. I would say to all traders out there that are really working on these things: identify what works for you and really hone in on it. Become an expert and then focus all your energy on trading psychology and money management.

That really is the final step for most traders, and it's a never ending process. It's something that we always have to do, so I wish everyone out there really happy trading, and I thank you for all that you're doing for traders, Hugh, because you have a great website out there and it's really nice to see something like that for traders. I wish that I would have seen that back in 2000 when I was trading because

these was no stuff like that out there. It probably could have shaved a couple of years off my learning curve. I'm really thankful for people like you out there, and I think it's really cool what you're doing.

Hugh Kimura: Oh, thanks! I appreciate it! I really appreciate it, and I appreciate you coming and sharing all your knowledge with us, and if people want to find you, where should they go out again?

Walter Peters: If they want, FXJake.com, they can get the videos and books and stuff like that. There's a blog on there, and I post trades. And there's also a forum where I post trades, and some of my students and other people who just have the free stuff that aren't really students, they're posting trades too. That's called NakedForexNow.com, and that a forum. It's a free forum. You can go there and just check out our training journal, or follow along and see videos and the posts and things like that. I think Colin's there too, and a couple other traders. So that's where they can go as well. It's totally up to you if Naked Forex is something that is interesting, but if it is that's where I am.

Hugh Kimura: Okay, very cool. Well, thank you very much again! Great talking to you!

Lessons Learned

Similar to Chris Capre, Walter Peters started trading Forex when retail trading was just coming online. There wasn't much educational material on the Internet, so he went to the library and read as many books as he could. Some people might think that not having the right education available is a handicap, but Walter really wanted to succeed, so he did whatever it took.

There are a lot of great trading psychology lessons in this interview. The lesson that stood out the most to me was the one about reaching for a big goal instead of a small one. When you shoot for a small goal, it may seem more "realistic," but you are actually less likely to achieve it because it does not excite you. By focusing on a big goal and believing that it is possible, you will have the desire and drive to see it through. Small goals seem too much like what you have now and thus do not motivate you.

Another important lesson from this interview was the idea of trading a small account before you step up to a full-sized account. Too many people think that once they open a live account, they have to put all of their risk capital into the account. This is simply not true. Again, the psychology of trading real money will be much different than trading a demo account. If you are really dedicated to trading well, you should gradually increase your account size as you become more confident in your psychology.

If we take a step back and look at the overall the lifestyle choices that Walter made, we can also draw inspiration from his vision and resolve. He quit the dream job that he was making good money at and dove headfirst into the crazy world of Forex trading without any guarantee of success. I'm certainly not saying that you should quit your job if you want to trade. However, if there is something that you are truly passionate about, you should find a way to do it.

Finally, Walter wholeheartedly believes in backtesting and proving to yourself that a trading idea could be profitable in real-life trading. Not everyone believes in backtesting, but in my experience, backtesting is the best way to gain confidence in a system and give yourself a frame of reference. Give it a try if you have never done it before.

Parting Thoughts

Thank you for taking the time to read this book. I hope you enjoyed it and learned a lot. There were a lot of valuable lessons that I got from doing these interviews. I encourage you to go back and read the book again because there could be very subtle lessons you might have missed the first time around. I only mention this because I did these interviews and I still learned a few things by reading these transcripts again. Although these are some of the best interviews that I have done, there are many others. I do monthly interviews with traders and industry experts on my podcast, The Trading Lifestyle Podcast. You can find it on TradingHeroes.com or on iTunes.

Finally, if you have any questions or comments, please feel free to contact me. You can send me an email via my contact page or hit me up on Twitter: @TradingHeroes. You can also leave me a voice message by calling +1 (405) FOR-EX88. That is a US number, so applicable calling rates apply. If you have a good question, comment, or joke, I will feature it on the podcast.

I hope that these interviews have given you the inspiration to persevere, regardless of where you are in your Forex trading journey. Best of luck, and I look forward to talking to you in the future.

If you are a professional Forex trader, I would love to interview you on the podcast. [Contact me](#) with your story and website (if you have one) and let's set up a time to talk.

Happy Trading,

A handwritten signature in black ink that reads "Hugh". The signature is stylized with a large, sweeping 'H' and a small 'u'.