

Concept

a powerful, intriguing, inspiring, or perhaps odd idea distilled to its essential elements

What makes a great trader? I'm not talking about the guy sitting in his one-room apartment knee-deep in empty boxes delivered by Domino's, riding a caffeine high, and screaming at a computer as his (or her) days stock picks flash between green and red more times than a busted traffic light. Although there are more similarities to that than this trader would admit, I'm talking about the professional trader who sits on one of the half-dozen, football-field-size trading floors on Wall Street, trading millions of dollars of securities every day.

There are rules I try to live by, but when it comes to my profession, I'm judged by how much more money my firm has when I go down the elevator at night than when I got off in the morning. Whether trading baseball cards, or in my case bonds, we're all trying to make a buck. It's amazing how much satisfaction can come from buying something and selling it for a higher price.

Just like a big-league pitcher's warm-up, I have my pre-game routine before I pick up the phone to execute a trade. Here are five lessons I've learned. Think of it as Cliffs Notes to successful trading, work, life.

Stay disciplined. Whatever your strategy, stick by it and keep it simple. Make your money, or limit your losses, and move on. Don't be

greedy. If nothing looks attractive to you, sit on the sidelines until something does. Leave your ego at the door. Words to live by.

Do your homework. Accumulate information. Determine what's relevant, dismiss the rest, and make a decision—and do it quickly. Remember history books? If we'd had to memorize every word, we'd never have made it through school. Skim, highlight, filter, and rely on your memory when it comes time to decide whether to buy, sell, or do nothing.

Manage risk. Don't be married to a position; don't risk too much capital on one trade. Know your comfort zone and when to take your licks and move on. He (or she) who runs away today lives to trade another day.

Control your emotions. Markets are volatile and inefficient, and can incite greed, fear, panic, frustration. Learn to manage those emotions so they don't affect your decision making and make you abandon your strategy.

Learn from mistakes. Good traders admit when they're wrong. Sometimes, you have to be wrong often enough to learn how to be successful in the end.

Also, know where the nearest Starbucks is, live within close proximity of a heart specialist, roll up your sleeves, and, remember, you're only as good as your last trade.

What a Trader Does

Lessons you can apply to day-to-day negotiations.



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