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Putting in the hours

BY ACTIVE TRADER STAFF



Name: John Gilner
Age: 40
Lives and works in: Santa Barbara, Calif.

John Gilner has always been comfortable with numbers. He earned his undergraduate degree in accounting and spent three years at a major accounting firm.

"From a financial standpoint, accounting is the language of business," Gilner says.

He eventually earned an MBA and ultimately found a home at a construction accessories business. He gained a small piece of ownership and became operations manager in 1997.

In January 2001, the firm was bought by a long-time competitor. Gilner worked for another 18 months to fulfill a management contract and then left the company. It was mid-2002, near the low point of a major bear market in U.S. stocks.

"I was flush with cash, but the market was tanking," he says. "I had people telling me to just put my money in, but I didn't believe them. I wanted to learn more, so I started studying trading."

Gilner found trading to be a good fit for him.

"I'm analytical by nature," he says. "I don't have a problem with discipline. I'm even-keeled — I'm not an emotional type of person. Over the course of my career, I developed a very strong work ethic. It was not unusual for me to work 12- or 14-hour days five to six days a week. My work ethic is central to my success in trading."

When he began trading, Gilner thought it would be easy. He soon discovered the truth.

"The whole journey was longer and harder than I thought," he says.

Gilner found some interesting challenges in trading.

"In most vocational situations you can find an answer — yes or no, right or wrong," he says. "I did well in math, and in math you can always find an answer. In trading you often *can't* find an answer. It's a big organic thing; it's very elusive."

Gilner says he has accepted that the market can never be figured out.

"The market is the amalgamation of human psychology — everything from people's emotions, news events, and geopolitics to interest rates and commodity prices," he says. "That is the reason you have to focus on technicals."

Trading methodology: Gilner has been trading full-time since 2003. He implements a two-pronged approach: short-term technical stock trading and selling index options.

In his stock trading Gilner puts on about 10-20 trades per day, primarily in Nasdaq stocks. He trades from both the long and short sides and is primarily a short-term trend follower, with trades lasting intraday to about 10 days.

Gilner references support and resistance levels across multiple time frames — weekly, daily, and 10-minute charts. He also uses the Marketwise Profiler, a stock screener, to identify what "stage" the stock is in (i.e., consolidation, gaining, distribution, or decline).

"I flip through thousands of charts every week looking for constructive patterns on multiple time frames," Gilner says.

"Convergence of support and resistance is key."

A representative trade set-up is a stock in an uptrend on both the weekly and daily chart.

"On the daily chart, if it pulls back to a logical support area, I'll look for an entry on the 10-minute chart as the stock is just breaking out from a consolidation period that coincides to a support area on the daily chart," he says.

Trading setup

Hardware: Dell Precision workstation 450 with dual Xeon 2.4 GHz processors, 1 GB RAM, dual 21-inch monitors; HP Pavilion, dual core 2.66 GHz processor, 2 GB RAM, 24-inch monitor.

Software: RealTick.

Internet connection: Cable broadband and DSL.

Brokerage: Terra Nova Trading and Interactive Brokers.

He uses limit orders a penny or two above the consolidation zone to enter, with his target at the next logical resistance area on all time frames. He takes partial profits on trades as the stock approaches a recent high on the daily chart. Gilner also uses measured move (see "Key concepts" on p. 80) targets as price objectives and places stops just below the recent consolidation area.

In his options trading, he only trades S&P 500 options (SPX). When the S&P 500 cash index retreats to key daily support when a spike is occurring in the VIX, Gilner looks to sell put options 15 to 45 days from expiration.

His exits are dependent on "feel and market conditions. If the market moves in my favor, I'll cover those positions and buy those puts back," he says.

Most important lesson learned:

"One of the big lessons of the market is humility," he says. "Don't feel like you've figured it out. No one ever figures the market out completely."

When not trading: He spends time with his family, including his two boys (ages five and three). He runs half-marathons and lifts weights.

Best thing about trading: "It is the purest performance model out there," he says. "I make money if I do well. I lose money if I don't do well."

Best trading books/Web site:

Secrets For Profiting in Bull and Bear Markets, by Stan Weinstein; *Options as a Strategic Investment*, by Larry McMillan; *Foiled By Randomness: The Hidden Role of Chance in Life and in the Markets*, by Nassim Nicholas Taleb; www.alpha-trends.blogspot.com. ☎