

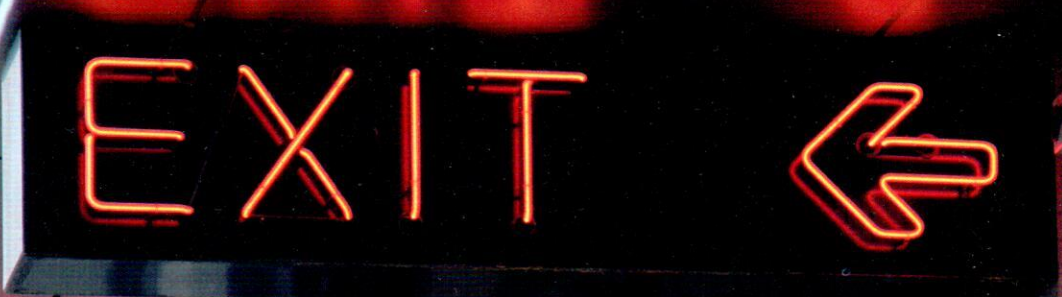
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ACTIVE Trader®

• TRADING STRATEGIES FOR THE FINANCIAL MARKETS •

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Blocking out the noise

BY ACTIVE TRADER STAFF

Name: A. S. Baynd

Age: 43

A. S. Baynd earned a graduate degree in mathematics and applied statistics and put her education to work as a neuro-science statistical researcher for several years right out of graduate school.

"It was very exciting work, but I got tired of eating Ramen noodles," she says, referring to the extremely low pay.

She was introduced to trading when she attended a *Success Magazine* seminar in 2005. Several people from the financial arena presented, piquing Baynd's interest in trading.

"I have always been able to identify patterns and see through the big, muddy picture," she says. "There is a lot of noise in statistics. Cleaning out the clutter has always been my strength."

"I used to think trading was a science, which is what made me so eager to learn it," she continues. Instead, she now understands that trading is a "disciplined art. It is the ability to manage a moving picture. You have to do what the pictures tell you to do, not what you think."

At that time, however, she admits she knew nothing about the stock market but began on a course of self-study.

Baynd had worked in IT recruiting for several years and had started her own business. But by 2005, she was ready for something new. With a loan from her husband, she took the leap to full-time trading in 2006.

"[The first year and a half] all I looked at was noise," she says. "I was looking at the news and at 15 different technical indicators. I confused the living crap out of myself."

However, once she was able to simplify her methodology and information inputs, she began to have success. Baynd says she



started becoming profitable when she stopped listening to the news. Now, she uses a very streamlined trading approach.

Trading methodology: Baynd is a momentum trader, focusing on a core group of about 20 stocks, such as MasterCard, Google, Apple, and Potash. She trades "high-beta" stocks (relative to the S&P) that exhibit a fair amount of volatility.

"I want something that moves by large amounts. There is more risk, but potentially more reward," she says.

Her daily trading flow depends on market conditions; she puts on anywhere from five to 50 trades a day lasting from several hours to several days.

"The key to my trading system is slope, or the direction of the line," she says, referring to rising or falling price action. "Think about a 'U' — I trade at the rounded bottom. I get in at the inflection point where the slope is changing."

She will trade off either 30-minute or hourly charts and uses the moving average convergence divergence (MACD) indicator and the stochastics momentum index (SMI). She also maintains a grid of her stocks' "slope" over various time periods, such as yearly, hourly, 30-minute, 15-minute, and five-minute. Baynd uses either the seven-period (in highly volatile periods) or 30-period (for stocks in good trends) moving averages on the chart. She simply looks for a certain slope in the moving averages and will not put on a trade if the moving average is flat.

She uses daily charts to identify periods of price congestion and will draw support and resistance lines off those levels. For a trade entry, Baynd will look for the stochastic momentum index or MACD to

Trading setup

Hardware: One 57-inch flat screen with 3 GB RAM, 3.3 Ghz, plus two 17-inch laptops and one 12-inch laptop.

Software: ThinkorSwim.

Internet connection type: High-speed cable.

Brokerage: ThinkorSwim.

KC For more information about the following concepts, go to "Key concepts" on p. 78.

- Moving average convergence divergence
- Stochastics momentum index

change direction. She uses discretion in her trade entries.

"It's not cut and dried. It's 'watch the pictures and see what they are telling you to do,'" she explains. "Never underestimate the power of a gut feeling. I enter the trade just as [the stock] changes direction [around support and resistance levels]."

She identifies congestion areas on charts (looking at multiple time frames) to see where prices formed congestion in the past and uses those zones as trade objectives.

Although she does not use stops, she has little tolerance for trades that move against her.

"I do not wait. If I enter a long at 187 and it goes down to 186.30, I'm out."

Most important lesson learned: "Overconfidence is a killer. I was used to being right a lot."

Best thing about trading: "The reward of a flawless execution is the greatest part about trading. Trading, for me, has never been about the money. I been about managing something extremely complex and filtering out all the no

When not trading: Baynd is busy with her husband and blended family, which includes nine children.

Best trading Web sites: Alphatrends.net, Shadowtrader.net, Stocktwits.com