

Simon Clarke



Forex Trading with Precision

Simon Clarke became a full time trader in 2011 and specialises in the forex, commodity and index futures markets. As well as running his own trading business, Simon has also teamed up with Nick McDonald at www.TradeWithPrecision.com to mentor and support their clients. Simon is a valued member of the "Trade With Precision" trading team and works with some of the most recognisable names in the financial trading world such as ETX Capital, TradeStation, CMC Markets and OANDA. He regularly speaks at trading seminars and presents for corporate clients, both throughout the UK and around the world.

» TRADERS': When did you first hear about trading and the markets?

Clarke: Almost 20 years ago now, I read a story in a magazine about someone who was successfully trading options part-time whilst managing a completely unrelated day job. I was a Regional Sales Manager at the time and knew there was limited life in that role as it was very much a younger person's game in those days. I liked the idea that your risk was defined to the cost of the option and that you could earn good returns on a part-time basis, if you were successful. So I set about finding someone who could teach me how to trade options which was not as easy as it sounds. In those days, everything was geared towards professional traders and institutions. If you

remember, we did not even have the Internet and nice online charting packages back then.

TRADERS': How good (or bad) was your performance when you first started trading?

Clarke: My trading style at the time was swing trading FTSE 100 stocks on a fundamental basis using options. Looking back, my performance was not too bad considering how much I really knew about what I was doing. I managed to broadly maintain an even account, or at least stay in the game for a couple of years before eventually blowing my account. During my earlier years I treated trading very much like a hobby whilst my working career was progressing.



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TRADERS: At what point did you decide to go full-time?

Clarke: Over the years I moved through various different styles of trading, from options, to penny shares to tech stock through the tech boom, before eventually settling on the futures and forex markets. Above everything, my greatest discovery was that you needed to learn to trade. This is a profession and you need to be serious about it. I arrived at a point where I had picked up various bits of information from here and there but did not have a consistent plan. However, I knew what I needed to know and that was the first big realisation for me. From that point onwards, I became very serious about trading and sought help in the areas where I needed it. I focused on strategies and methods that made logical sense to me rather than trying to fit myself into a style that did not suit me. By the time I was ready to go full-time, I knew a lot more about myself on a psychological level: I am a risk taker so I needed to put myself in an environment that was safe for me financially. Therefore, prior to becoming a full-time trader I cleared the mortgage, the car loans and put a year's salary in the bank. Now I could trade for a living.

TRADERS: What specific setups do you use, and on what time frame?

Clarke: I am a technical trader and use three trend-following strategies that are both time frame, and market universal. The majority of my trades are executed on intraday time frames – most commonly the 4-hour, 60-minute, 15-minute frame or lower. However, my decisions are built using analysis across a whole number of multiple time frames

including weekly, daily, eight and four-hour charts. The three trade setups I use are a breakout strategy to trade flat level breakouts of support and resistance, and a trend pull back strategy to trade in the direction of the trend after a retracement into areas of equilibrium. Finally, a cluster strategy that looks to trade again, in the direction of the trend after a deeper pullback in more volatile trends. With this technique, I am looking for price to retrace to a cluster level of Pivots, Fibonacci levels, and/or historic support or resistance. Trade entries are specific to the strategy I am using but will be either the break of a price level for the break out strategy or the entry candle. Stop placements are always based on a technical location within the chart, and because I am trading in the direction of the trend, this will usually

F1) AUD/JPY Short



Trading short in the direction of the new trend after the break of the 100.00 level. Price is making lower highs and lower lows, and I wait for price to pull back to the 10 and 20 period Moving Average zone, and then look for a small bearish candle to bracket. I also look for convergence (agreement) between the Moving Average Convergence Divergence (MACD) and Relative Strength Index (RSI) indicator and price action to get agreement on the direction and strength of the trend. As the new trend made lower lows so did the MACD and RSI, indicating agreement in the move. The trade entry is on the break just below the entry candle and the stop just above the high. In this example you can see I was stopped out for a one per cent loss.

Source: www.tradestation.com

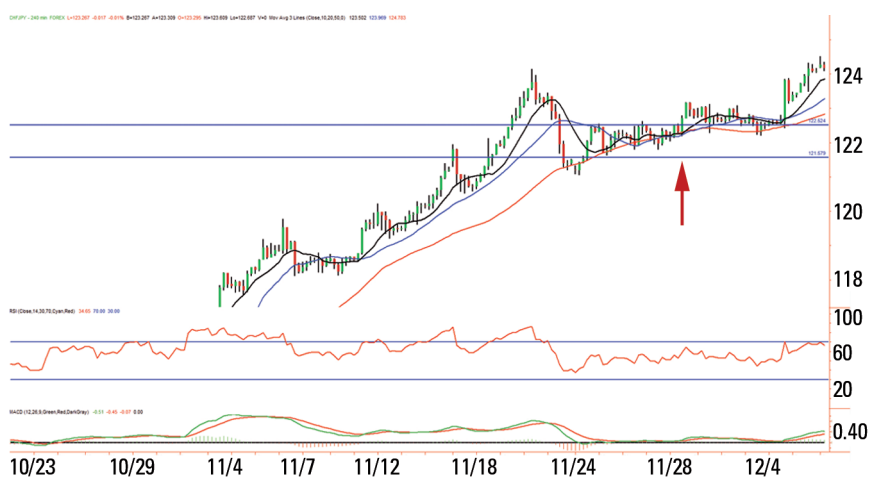
F2) AUD/USD Short

The market has broken the support level around 0.77600 and started a new down trend making lower highs and lower lows. As the market made a strong move lower I wait for a pull back to a level of potential resistance. I identify this level using Pivot Points and Fibonacci clusters. In this example you can see we had a Pivot and 50% Fibonacci level clustering close together which also happened to be in the 10 and 20 period Moving Average zone. I look for convergence (agreement) between the MACD and RSI indicator and price action to get agreement on the direction and strength of the trend. As the new trend made lower lows so did the MACD and RSI, indicating agreement in the move. Entry short was at 0.7738 just below the pivot and stop was placed behind the 100% Fibonacci level at 0.7772 which is also behind the prior high of the trend. Result – successful trade.

Source: www.tradestation.com

be behind the past technical high or low within the trend. I manage each trade based on the plan I decide prior to placing the trade, although I will always lock in a risk free trade at equal reward to risk. For example, for

trade size fairly consistent, ensures I always risk a small proportion of my overall trading capital and that I also get paid from the markets too.

F3) CHF/JPY Breakout Long

Trading in the direction of the predominant long trend, the market finds resistance around the 122.524 level. I wait for the market to test the level at least three times, at the same time we can see the market continues to make higher lows, indicating continued strength long. I look for convergence (agreement) between the MACD and RSI indicator and price action to read the underlying strength of the trend. Here the indicators are flat when price is flat, indicating convergence. Entry is just above the breakout level of 122.52 and stop under the previous low of the trend at 121.57. Result – successful trade.

Source: www.tradestation.com

some trades I will close the whole trade at a 1:1 reward to risk, whilst others I will close half the position out at equal reward to risk and hold the remainder as a “risk-free” trade looking for a continuation of the move. In these cases I will also look to build into the position with new trade entries.

TRADERS': What is your method in risk and money management?

Clarke: I have a very simple risk management approach: I risk one per cent of my account on any one trade. Once I am risk free on a trade, I am happy to take more positions in the same market if opportunities present themselves. This way I can build into a position whilst also keeping my risk exposure in check. When my account increases by 50 per cent, I withdraw the excess in order to return it to the original level. This keeps my

TRADERS': What did you need to overcome, or give up, in order to become successful?

Clarke: I think in order to succeed in the markets you need to understand yourself; you need to know who you really are, not necessarily just whom you think you are. Trading is as much about mindset as it is about strategy and rules, and once you spend time in the markets you begin to understand that emotions can get in the way of a clear decision making process. In my early years of trading I blew several trading accounts moving from one type of trading to another. Looking back at some of those early techniques, they were not actually any more technical than the techniques I use today. The difference today is that I have absolute conviction in my trading

rules and strategies and I have the discipline to stick to them. If I feel my emotions are creeping into my trading decisions, then I take a break from the markets for a few days.

TRADERS: What do you recommend to new traders to get started?

Clarke: On the face of it trading may look simple, but it is not easy over the longer term. Yet, this is a great business to get into whatever the motivations are for you. Start as you mean to go on, and treat trading as a business from the outset and be serious about it. By starting out with the right mind set you will shortcut a lot of the pitfalls that catch many new traders out. Find a trader or mentor that trades a way that seems logical to you, and learn from them. Don not expect to master this business by completing a weekend course because the real learning takes place when you start taking action in the real markets - not the classroom. Look for a mentor who will support you through your learning journey, and guide you through different market conditions.

TRADERS: What was the most valuable trading advice you ever got?

Clarke: "One little winning trade per week!" This statement still resonates with me today. You only need one 1:1 winning trade per week with a one per cent capital risk per trade to return a reasonable compound of over 60 per cent p.a. This is about mindset not account profit. If you are focusing on taking just one little 1:1 trade a week then you will make sure that trade is the absolute best trade there is. This is about focusing on flawless execution of the best trade setups that meet your trading criteria. If you can start to achieve this, then before too long you will soon start to find two or three trades a week, and then you will start allowing some of those trades to run and take larger profit targets, again increasing your

trading results. But the focus should be on taking high quality trade setups in the first place and not about high quantity of poor quality trades. «

This interview was conducted by Marko Graenitz

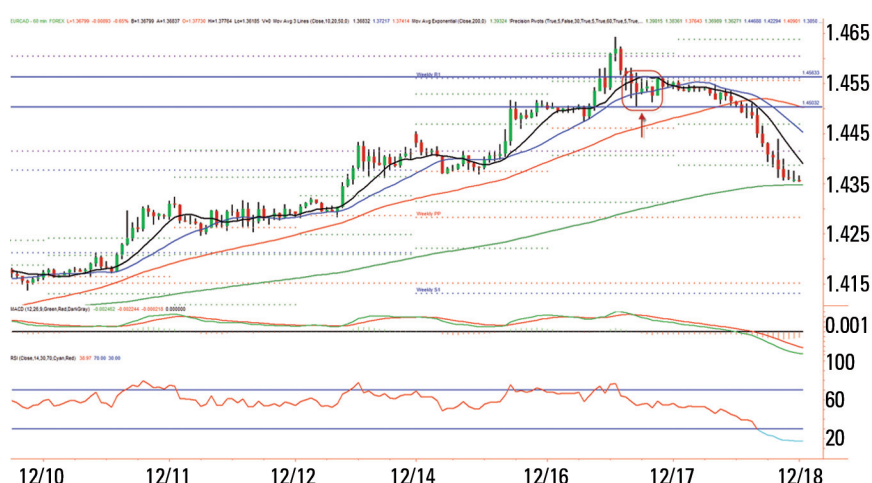
F4) EUR/AUD Short



This is a combination of two strategy techniques (trend following and breakout strategy) occurring at the same time. Trading in the direction of the predominant short trend price pulls into the 10 and 20 period Moving Average zone, whilst also forming a flat potential breakout level. I look for convergence (agreement) between the MACD and RSI indicator and price action to read the underlying strength of the trend. Here the indicators are flat when price is flat, indicating convergence. Entry is just below the breakout level of 1.4500 and stop is just above the consolidation at 1.4560. Result – successful trade.

Source: www.tradestation.com

F5) EUR/CAD Long



Trading in the direction of the predominant long trend, I wait for price to pull back to the 10 and 20 period Moving Average zone, and then look for a bullish candle to bracket. I also look for convergence (agreement) between the MACD and RSI indicator and price action to get agreement on the direction and strength of the trend. As the trend makes a new high so does the MACD and RSI, indicating agreement in the move. With this set up I also had the double Pivots just below the entry level giving me further support for the trade. Entry was long at 1.4564 just above the Pivot and high of the entry candle and stop 1.4502. Result - trade did not trigger braking the stop level before triggering the entry – order cancelled.

Source: www.tradestation.com