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IN THE SPOTLIGHT | 31 OCTOBER 2012

Trading Insights From Three-Time Winner Of World Cup Trading Championships

By [Louis Kent Lee](#) and [Ong Qiuying](#)
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In an attempt to pick the brain of a trader who won the World Cup Trading Championship three times in a row, **Shares Investment** has done an email interview with Andrea Unger, to bring you an insight to how he sees the trading world.

Andrea Unger was in Singapore on 13 October 2012 as guest speaker at CMC Markets 5th Anniversary Master Class held at The Fullerton Hotel. The views and opinions that follow are purely his own.

Shares Investment: Can you share with us some of the strategies you apply in trading?

Andrea Unger: The main concepts I use in my trading are related to short term trend following entries. The setups I look for are normally linked to a quiet period in the market which is usually followed by a move I try to ride. Patience is necessary in order to leverage the best opportunities. Trading is also waiting for the right moment, which normally comes after a period of rest and at an unsuspecting moment. The quiet period is a setup; the entry depends on the market showing, with a breakout of a resistance or a support, to be willing to ride a certain direction.

SI: Do you incorporate fundamental analysis in the selection of stocks?

Unger: I only use technical and statistical analyses for my trades. To me, fundamental analysis is more relevant to long-term investments.

SI: Despite the employment data coming in better than expected, the market still did not perform as well as it was anticipated. How do you position yourself in such a situation?

Unger: I observe what the markets are doing and follow their moves. Economical data lead to reactions; I follow the reactions, not the data. Of course, there can also be sudden changes to initial moves. These cases normally reverse or stop out my positions but losses are part of the business and they are normal. It is important to trade what you see and not what you are convinced of as convictions are often misleading.

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SI: Throughout the entire market trading session, different people look at different time frames on their technical charts for suitable point of entries. Is there a particular time frame that you always look at on your charts? If so, what is your favourite time frame chart that you like to look at?

Unger: My systems are normally built on five-minute bar charts, I don't plot five minutes to make decisions on such a short time frame, but just because it allows me to have a steady stream of information to build my system model. When I trade intraday I may place one or two trades per day, even though I take the setups and triggers out off five-minute bars. The short time frame I set is not related to trade frequency.

SI: As you know, there're so many indicators that come along with the charting softwares we see in the market now. What are the few key indicators that you cannot do without?

Unger: I seldom use indicators. My trading decisions are largely based on chart patterns which identify the state of the market (i.e. congestion, volatility, strong directional move and so on). These patterns are used as filters to trade or to wait and entries are normally built as breakouts of high or low of the day. Some indicators may be added as additional filters and among these I prefer volumes and ADX.

SI: If you're in a winning position for the particular stock you've bought into, will you immediately recognise half your profits and raise your take profit bar higher or will you exercise prudence and not take such risks?

Unger: Before entering a position I already decided exit points and I never scale positions. When I enter the market I know how much I am risking and the stop level. Scaling positions is similar to placing new trades and I normally stick to my original plan once I am in the market. I do believe in my models and so far I don't need a psychological help in position management, yet I recognise it could be good for beginners to adopt such methods but I stress the importance of a proper and complete plan before entering any trade.

SI: If a person does not have a team of consultants and trade alone, what advice would you give to such person if he wants to cohesively trade across different instruments (e.g. stocks, futures, and currencies) at the same time?

Unger: The most important concept to learn is to trade with a very low risk profile. Every trade needs to be sized to lose an amount of money that would not terminate the trading adventure. Summing all potential open positions should also lead to a total risk which is sustainable. I normally risk no more than 1.5 percent of my equity in every single trade and less than 20 percent on my total exposure (I have many systems working together and the 20 percent is an extreme case with obviously low probability).

SI: Are there any days or prolonged number of days where you don't make a single trade at all? What are your basic criteria of entering a position in the market?

Unger: Trades have to be placed only when the moment is right. Moves come after a quiet period and choppy markets come after volatility. I have many systems working together so I normally trade every day. That being said, I will not be anxious if I go through a period of

reduced trading activity. It simply means the markets are offering fewer opportunities based on my models.

SI: How do you determine your stop-loss limits? (e.g. percentage etc)

Unger: Stop loss levels depend on many things. They may be graphical or dollar stops or even time stops, so there is no single rule to decide that. What is important is that, given the level of stops, I size my position accordingly to maintain the risk level I have set (1.5 percent in my case).

SI: What advice would you give to investors who are seeing their positions almost approaching the stop loss order?

Unger: Losses are normal; there is nothing wrong in positions getting stopped out. You need to see the long-term picture in the context of your trading approach and view losses as costs of the business you are building.

SI: Can you share with us how psychology and money management play an important role to investing successfully?

Unger: I see both aspects as being very important to trading. A winner in the markets normally has a good balance of strategies, psychology and money management.

SI: How do you ensure that your systems remain relevant to the current markets?

Unger: I monitor the results of my systems closely and practise worst case scenario planning. As my systems contain many in-built rules, I often test them to see if they are operating in tandem with the markets or if changes in the trading environment have foiled those setups.

SI: Given the volatility of the markets, what advice can you give to new traders?

Unger: Don't ever risk too much. Two percent of your capital pro trade is already considered aggressive. Trade in moderation and you can build on your earnings over time. It is better to grow your wealth steadily then to suffer huge losses in a split second.



Andrea Unger has over 11 years of independent trading experience.

He became an independent trader in 2001 and focused on the development of trading systems. In 2005 he participated in and won the Top Trader di Borsa Top Trader Cup in the Futures division with over 60% performance in three months. In 2008, Andrea became the first Italian

trader to win The World Cup Trading Championships® in the Futures division with an astonishing 672% return. The next year, he became the first back to back winner of the competition in nearly 20 years with a 115% return in 2009. Finally in 2010, Andrea became the first ever trader to win the competition three years in a row ending with a 240% return for that year.

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