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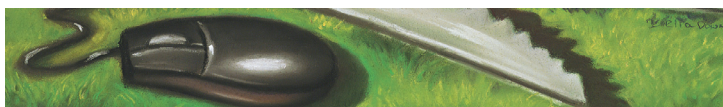
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INTERVIEW: JEFFREY OWEN KATZ

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What about commercial systems?

The same goes for buying most commercial systems. Not all, but 95% of the systems out there are ripoffs. They're mostly systems that used to work and once they stopped, someone decided to sell them using the historical track record to make a profit. Very rarely do any of them work when purchased. A few have a germ of an idea that does work, maybe not as is, but you can tweak them. My suggestion is that you roll your own.

There are a lot of inefficiencies in the markets, although most are hard to find. If you want to get started, read some books! With anything you trade, across the board, whatever it is and however you trade it, you have to backtest it somehow, preferably with some objective software, and do

live paper-trading. Don't start in with lots of contracts. Paper-trade it with one contract or 100 shares, and get the feel of it for several months. You want to take a number of small trades, so you can see how it behaves, how it looks, and how it holds up in the market — not to mention develop your skill as a trader. This is critical. That's how you prevent catastrophe.

The same goes for daytrading. People say it's dangerous, but it's less so than other kinds of trading. Daytrading is dangerous only when traders place excessively large bets as many do, buying 50,000 or 100,000 shares at a clip when they should be buying 1,000 or 2,000 instead. If they initially traded small amounts until they got the feel of it, they could go on trading for years and not

blow their account. In the meantime, they'd get better at trading, develop their skills, and their account size would probably grow. Then they could increase the size of their trades when they see that something is working consistently. That's one of the secrets to staying alive as a trader: Don't try to trade big. Trade small, but frequently.

Thank you, Jeff.

RELATED READING

- Katz, Jeffrey Owen, and Donna L. McCormick [2000]. *Encyclopedia Of Trading Strategies*, McGraw-Hill.
- www.scientific-consultants.com

†See *Traders' Glossary* for definition

