

Part I

By **Jeff Neal** *Senior Writer, Options Strategist & Profit Strategies, Radio Show Market Correspondent*

Roy Kelly heads up a trading system development company called ARC Systems that primarily operates on the Trade Station platform. He brings a systems approach to trading based on his numerous years in the systems trading arena. Roy Kelly is also a professional trader, lecturer, and author of the book *The Trading Method That Can Make You Rich*.

I really enjoyed speaking with long time systems trader Roy Kelly. **This is the first installment of that interview.**

Jeff: How did you first become interested in trading the markets?

Roy: After achieving a measure of success as a businessman I had some extra cash to invest, so I decided to trust a broker to invest in Options. After around 45 days, all my investment capital was gone. There and then is when I decided that if I wanted to pursue investing in the markets I would have to take control and really do it myself. I took a very serious approach, studied very hard and spent hundreds of hours working night and day until I came up with some solid methods and indicators to trade the market. After trading privately for years I met a vendor (a well known individual in the business) and he talked me into teaching and offering my software to others.

Jeff: Do you ever use options and if so what are your favorite strategies?

Roy: Currently I like the index options. However, I like futures for the fast action. I use my own strategies that I have developed over the years.

Jeff: What are the things you like best about the trading business?

Roy: I like the trading business because it gives me freedom; in fact, once you learn how to make money trading, all you need is about one hour a day to be truly successful.

For certain there is money to be made trading; however, trading can be a lonely business and by offering my software to others, and having my work proven time and again to be among the best available, gives me—and I suppose my ego—a feeling of satisfaction and a connection to the business as a whole.

Jeff: How do you treat losses and how to go about establishing your risk tolerance before the trade is entered?

Roy: Once you know your win-to-loss ratio, losses are not a difficult thing to deal with. Once you have a solid trading (business) plan in place—and stick to it—then trading becomes more like any business. One way that helps with the losses, is to have a fixed stop in place. That way you are limited to what you will lose on any given trade which provides a measure of peace of mind.

Jeff: Do you prefer long-term strategies or short-term strategies?

Roy: They work equally well for short term or long term.

Jeff: Thanks, Roy, for sharing your trading approach with our audience.

Part II

I really enjoyed speaking with Roy about how he manages risk as well as getting a feel for how he approaches the markets. This is the second part of that interview.

Jeff: What are some of the key rules that you feel are most important for a trader or an analyst to keep in mind when evaluating any potential trading opportunity?

Roy: I like to focus on (particularly for novice traders) the need to stay on the right side of the market—meaning trading in the direction of the trend. I have four main trade setups I have developed over the years, and those are the ones I teach and trade.

Jeff: What are your favorite markets that you like to trade and track with your analysis tools?

Roy: They work well on any freely traded market. I personally like trading the ER2, ES, and YM (e-minis) because they have good price movement. I use them for day trading and/or position trading. I have also used them on Mutual Funds with good results. In the past I have traded stocks, and options, and they work great with those markets, I guess what it comes down to is what market(s) I feel are gainfully tradable at the time as my tools allow me to adjust to the market(s) working equally well on all.

Jeff: What is your most memorable trade?

Roy: After doing this for over thirty-three years, that would be a little hard to remember. More recently the one I remember is when I entered a trade to the long side in the ER2. No sooner did I enter the trade and the market shot up and instantly reached my target—very fast and very profitable. The best year I remember was in 1997 when my trading system was rated number one in the world by *Futures Truth* magazine.

Jeff: With all the different technical as well as fundamental analysis tools out there how does a new trader avoid information overload or "analysis paralysis"?

Roy: Yes, I understand, and I feel I have a good answer. Since the arrival of the internet (keep in mind it has only been around 10 – 11 years) there has become thousands of websites out there dealing with trading. The majority of them are nothing more than salesmen, marketing companies, and web designers trying to get a piece of the pie. My recommendation to anyone earnestly seeking information—rather than hype, high pressure sales, and/or good looking web sites—is to seek out those who were in the business before the internet. Look for those with a good reputation in the trading business, such as George and myself. It is very important to find someone with a good name and a good product.

Jeff: Thanks, Roy, for speaking about your trading ideas with our audience.

Part III

This is the final installment of my recent interview with Roy Kelly.

Jeff: What do you think are the greatest misconceptions beginning traders have about trading the markets?

Roy: Most people, especially here in the States, want everything NOW. They forget that where they are at in life today is most likely a result of much study and hard work. They look at a chart and think “anyone can do this, I can do this” and before you know it, they have lost a ton of money. The less painful approach would be to approach it the same way as they did with their current business or occupation. A dedication to the business and a hard study is what will lead to success. A study of proven methods of trading and investing is vital before putting their hard earned money on the line. Again, learn from the veterans in the business.

Jeff: What kind of advice would you give a person just now beginning in trading the markets?

Roy: Be PATIENT, do your study and home work. Treat this as you would any business, and make a

business of it, if you treat it as hobby, then that's all it will ever be, nothing more than a hobby. To make real money, it takes much work, and real dedication, commitment on the trader's part.

Jeff: Can you describe what your average trading and analysis day entails from preparation to execution?

Roy: Not much. The reason: Years ago, I designed a trading (business) plan, and I stay by it. So all I need to do is look at the chart, and based on my trading plan, I decide rather or not to take that trade. After time it's like anything we do often in life—it becomes second nature. It's the new traders that have problems, and usually it's because they don't have a plan, and/or they keep changing the rules as they go, including changing how they trade once they are in a trade. A proven method of trading, and a trading plan, keeps one out of harms way.

Jeff: What kind of decision-making process do you go through before deciding on a particular trade and a particular sector of the market that would be worthy of putting on a position?

Roy: This is a factor that I am not overly worried about; nor do I spend a lot of time on it. The reason is because I have a trading plan in place, and it has been proven over many years, so I just stay with my trading plan. Once a chart is on my computer screen, and my indicators are on it, I take a look at it, and if everything is lined up to take a trade based on my trading rules (rules of trading) I enter the trade. As a result of sticking to my trading plan there isn't much of a decision making process needed. I have already put all the thinking into the trading plan—it just comes down to consistently implementing it.

Jeff: What type of analysis methodology do you employ to find great trading opportunities?

Roy: I use my own indicators, and methods, that I have designed over the years. These are the same indicators that I sell to those who purchase my software and I teach the same methods of trading at my seminars (and in my book *The Trading Method That Can Make You Rich*) that I personally use.

Jeff: Thanks very much Roy for sharing your thoughts about the trading business with us.

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