



Developer's Interview with Michael Levin

Do you have any special advice for new traders that you wish you'd had when you were getting started?

Absolutely! Here are a few things I wish I knew or was taught, some are age old wisdom but I didn't quite get it.

1. Cut your losers short as soon as possible. That it is not only ok to lose, that it is expected that you will lose. Losing on a trade doesn't mean anything other than your timing or rationale wasn't correct at that moment.
2. Every large loss that a trader has was at one point a small loss. This is a part of #1, but SO valuable to learn.
3. It seems easier to add to a losing trade than to a winning one. It seems logical that if I liked the S&P at 1180.25, then if it's a few points lower, I like it even more. We all know that as a novice, adding to a losing trade can get you in hot water a lot quicker than waiting for an opportune time to add to a winning trade.
4. Paying attention to the market's direction and strength/weakness will also correlate to other linked markets and/or stocks.
5. Buy strength, sell weakness. I used to try and buy dips and sell rallies without paying attention to the waves within the moves of the overall direction of the market, thinking that the market would always move up and down and bail me out. It didn't very often and I would get hammered too hard and waste my \$ and not be able to take real advantage of the moves that were meant to be traded. Which leads me to this...
6. You don't always have to be trading the entire day or week. Waiting for the times where the trade or direction was in my favor was tough as I thought to be a trader meant you were always trading. Some of these are obvious to many people now, but when we first start out (I was 23 at the time, back in the 1980's) trading wasn't as advanced as it is now.
7. Leverage works BOTH ways, it can help and it can crush. I can't tell you how many times I added leverage at the wrong times, got shaken out of a position to see it run my way without me in it because of the fear I experienced as leverage cut into my holdings. I am much better without using leverage now and using options as a hedge.
8. Buying options are either for suckers or for lottery tickets. Long story short, I entered an international contest for trading options and in 3 months broke every record ever set at the time (1986) I took \$9700 of my own real \$ and traded it to \$190,000 in 3 months just by buying calls and puts and trading like crazy. I thought I was unstoppable. With 2 weeks to go in the contest I wound up dropping \$270,000 and wound up in the hole because in my flurry of trading (and fear) I oversold one of my positions and wound up net short as the market ripped higher the last day of expiration, wiping me out and leaving me in the hole big-time. I have tried living up to that upside swing I had all my life, never ever matching it again and wasting hundreds of thousands of dollars, years of my life and much dismay, anguish and disappointment... 'Nuff said.

How did you get into the futures business?

I got into the futures side of the business by connecting with one of the original "Turtles"; Russell Sands in early 2001 and worked with him on his systems and business. I found that amazing, how a system over time could

amass such wealth and the inherent leverage of futures/commodities could build fortunes if handled correctly. I now work with many highly successful developers and their systems and bring them to individual investors and institutions. I am happy to say that most developers I work with are verified through Futures Truth a highly sought after designation.

How do you prepare for your trading day? Understanding that trading is a strenuous day-to-day business, is there any ritual?

Aside from the live animal sacrifices on the quarterly equinoxes I don't necessarily have rituals that I would divulge, lol But every day I do trade, I would say I spend 3-4 hours at a minimum looking at charts of the various indexes, commodities and stocks I trade. I look at various timeframes and certain indicators I use. I also really like drawing trend lines and projecting into the future mixed with certain moving averages and Fibonacci lines. It can be an art and a science at the same time. I also follow short interest, earnings announcements, lockup expirations and various fundamental news items that may affect a stock, currency or commodity. There are also other technicians I follow and I like seeing their charts and opinions so I don't stay in a vacuum. I post a lot of my charts on twitter (prosperousguy) that is also linked to Stocktwits (also named prosperousguy) which is a service that aggregates those who seem to be good at charting and stock/future/market direction.

I also watch CNBC and Bloomberg throughout the day to see what the general news is being projected and to take advantage of short term movements in what is being spoken about, panned or recommended.

What do you think the hot markets will be for 2012? Do you have any inflation, or economic disaster forecasts?

Currencies continue to dominate as the worldwide economics unfold with more and more attention to the Euro and the Dollar. The metals will probably take it on the chin the 1st quarter, base out in the spring/summer and start to rally again into the fall/election timeframe. I think the grains will take center stage again as the demand for food increases with the worldwide population and with the demand for more proteins; the feed will have to be there to satisfy that need. Energies will continue to rise as the countries needing income from that will find a way to create turmoil to keep demand and supply in step with an added premium. I love Nat Gas down here and believe that the US is primed to actually capitalize on that and would expect a rebound to the \$5 mark again in 2012 through a combination of controlled supply, increased demand and delivery world-wide and natural disaster spikes.

I think the disasters of the 2012 year will be linked to weather related issues, such as more earthquakes, floods, rising seas, weather pattern disruptions as well as the tsunami, hurricane, tornado occurrences that will increase probably because we are expecting it psychologically because it is 2012 and it will be an "I told you so" thing for many of the doomsday believers. Aside from natural disasters, I think the fears on the Euro will be handled but not without painful concessions, China will see precipitous declines in their equity markets as their growth slows to match the rest of the world, The middle east will continue to be rocked by the constant bickering that has gone on for centuries and as the internet continues to grow, we will see more political upheavals around the globe bringing uncertainty once again to the hotspots that are always in flux.

I do predict substantial gains in technology for food production, energy generation and transmission and the stabilization of world financial markets. When all is said and done, when the clock strikes 12am December 31st 2012 and everyone realizes we are still here; there will begin a huge Bull run in equities the likes we haven't seen since the late 1990's. I say this because so many people/pundits are fearful of this 2012 thing and all the different things to be afraid of from the financial crisis to governmental problems to the extreme population concerns, that when we all breathe a sigh of collective relief, people will start buying (and holding) again and prices will have built a great base that we can launch from and go to new highs across the globe.

2013 will prove to be a very lucky year despite its reference to the contrary.

Here's wishing everyone a happy, healthy and prosperous 2012

Mike Levin

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