

made her strategy of shorting stocks around the time the stock dividends came due even more rewarding.

Times have changed.

"I don't have any money in the market now," confesses Bedford, who is also the owner of Trading Secrets (www.tradingsecrets.com.au).

"The majority of my money has been out since around the end of September, but I've had some short-term, smaller positions that represent only a small percentage of my total equity."

So is this the end of her trading career? "I am intending to return to the market: that's how I make my money," she says. "I've got to get back into it sooner or later, but I'll only do so based on the signals generated by my written trading plan.

"It's a misapprehension to think traders need to be in the market at all times — that's just not the case at all. There are times to trade and not to trade and when times aren't ideal, there's no problem with stepping back and doing something else with your time and with your money.

"There are a lot of

in it, they've even convinced themselves that they are more 'noble' because of it — there's a sense that suffering is good.

"For traders, activity does not equal profitability — they are two vastly different premises. Unless you're learning significant lessons, or you've managed to pat yourself on the back because you've been following a back-tested trading plan, then taking a loss is never a 'good' experience.

"The goal of a trader should be to follow their trading plan without question and to enter, exit and size positions consistently. There is no room in a professional's mindset to sweep a few nasty little losses under the carpet and forget about them. Professionals do everything in their power to act consistently."

What would force an experienced trader to abandon the market these past months after a couple of decades of rewarding activity?

"My 'stop trading' switch is part of my trading plan and it is a strategy which I've barely ever used

positions. However, her proprietary "7 per cent" rule says if the EMA is showing volatility of 7 per cent or greater, step back and enter no new positions at all.

"This final rule is essentially a cut-off switch that says market conditions are just too volatile to play with," Bedford says.

She uses the average true range indicator, developed by Welles Wilder, which is based on the greater of the difference between today's high and low, today's high and yesterday's close, or today's low and yesterday's close. Bedford divides the ATR by the share price or the index points to give a percentage.

"That percentage volatility is around 9 per cent at the moment," she says. "On a week-by-week basis the All Ords could go up or down 9 per cent, and this would be usual based on the past 21 weeks of behaviour. For me, this is just too volatile for long or short positions so I'm standing clear."

Bedford believes taking a breather

## Trading numbers to rise again as sector's popularity

Competition at the top is keeping the industry exciting, John Wasiliev writes.

One of the widely held perceptions about the CFD sector is that it is littered with traders who have tried and failed.

Thousands of people who have given contracts for difference a go over the past six or seven years may not be trading at the moment because of the challenging market conditions, says Mark Johnston, a principal with researcher Investment Trends. But he says it is wrong to suggest they have abandoned the market.

Most — he estimates 80 per cent — have indicated they are former traders who are sitting out because of the market volatility.

Johnston says that it would appear, based on his firm's most recent survey in 2008, that trader numbers are lower than a year ago.

In 2007, it was estimated there were 31,000 active CFD traders, falling to about 26,000 last year. This contrasts with about 9000 in 2005.

CFD trading, says Johnston, grew very quickly after it was introduced in 2002. The fact the number of traders has reduced lately should not be surprising, given all the volatility in underlying markets on which CFDs are based, he says.

But stacked on top of the numbers of existing traders, Johnston says there are an estimated 27,000 who have indicated they intend to trade CFDs once the conditions are suitable.

He says respondents intended to trade CFDs because of the leverage and the scope to short sell. As a result of this, last year's short-selling restrictions have no doubt had a negative effect on activity.

Johnston says by the time the short-selling ban was introduced last year a significant proportion of CFD activity was trading from the short side.

He says the other interesting aspect of CFDs, according to the 2008 survey, was the growth in

trading index CFDs and market sector CFDs.

This was particularly the case with more frequent traders. The development, he says, tended to favour CFD providers with the raft of products, namely the two largest promoters CMC Markets and IG Markets.

**'Last year's short-selling restrictions have no doubt had a negative effect on activity.'**

These two providers are neck and neck when it comes to claiming the mantle of CFD sector leader.

CMC is in front with a 33 per cent market share of traders who nominate it as their primary provider.

IG's market share at 27 per cent consolidated its No. 2 position. It saw it make gains against CMC.

Also growing strongly was