Trade From Anywhere

Around The World In Trading Days

Yes, it's possible. Here's how one trader traveled the world while continuing to make an income from his trading.

by Tomas Nesnidal

Trading is one of the few professions that gives you the freedom to set your own hours, make unlimited income, and live on a diet of rice and beans. But if you play your cards right, you may be able to replace the rice and beans with something more lavish. I'm talking more than food.

During the last six years, I have been fortunate enough to travel to more than 60 countries, fully financed from my automated trading earnings. I have learned how to manage my trading business from anywhere in the world and what steps I need to take to keep making money in automated trading. I've also learned what it takes to develop good, viable strategies. In this article, I will explain five of the most important and challenging hurdles, and how I learned to overcome them.

1. Finding a good trading strategy

This is about as difficult as nailing jelly to your whiteboard.

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A single strategy helps you to learn, but a portfolio of strategies helps you to grow.

Over the years, I have learned that *creativity* and *experimentation* are the keys to finding a viable trading strategy. I don't look for popular systems anymore. I find that widely available strategies seem to fail quickly because they become public knowledge. I always look for new ideas through heavy experimentation and by staying in my "high-creativity" mode.

I love experimenting with any crazy idea I can come up with, and sometimes am surprised by the interesting strategies such experimentation can bring.

In my case, I realized that traveling usually brings me into a highly creative state (as well as the meditation that I practice daily). I get most of my great ideas during my travels, when I am forced to act out of my daily routine. That's when a lot of "out-of-the-box" ideas come to my mind.

My general advice is this: Don't be afraid to experiment. Try anything you can come up with—sooner or later, it will pay off. Don't be afraid to combine indicators, use different time frames, or see what happens when you use an indicator in a way other than how it's *supposed* to be used.

For example, I like to use two time frames (a higher time frame helps to filter out noise) and my best experiences have been with breakout strategies. I like dividing a breakout strategy concept into several components and then think about how I can bring a new idea into each component. You can always give a component an interesting "twist" that could lead to a great strategy. This makes strategy development an exciting process.

2. Do Away With the Crud

Using someone else's trading strategy may not work so well for you. That's the reason I developed a thorough methodology for testing robustness to find out what could be a viable strategy in the future. I advise any trader to spend at least as much time testing for robustness as with strategy development, if not more.

I prefer spending time on walk-forward testing, regular reoptimization, and validation of a strategy in other markets within the same market group. I also always develop a strategy on only a small part of the available historical data.

My methodology generally looks like this:

1) I have an idea.
2) I test it on a small part of my data history.
3) If it's promising, I perform extensive walk-forward testing on 80% of all my data.
4) If all looks okay, I validate the strategy on the remaining data (20%).
5) If it still looks okay, I verify whether the strategy shows some reasonable results in another similar market or other time frames.
6) I paper-trade the strategy for several months before I start live trading.

3. Managing income stability

Using just a single strategy means no steady income. You'll need a *portfolio* of strategies if you want to grow and make a good living from trading—none of that rice and beans diet. The sky is the limit here. Having three low-correlated strategies is the minimum, but I'd recommend more. Some of your strategies will fail at some point in the future—that's just part of the game. Plenty of strategies will, one day, just stop working. But if you have a portfolio of strategies, you won't be hurt much and you can continue to make money and support your lifestyle. I have a saying I keep reverting to, which is: *A single strategy helps you to learn, but a portfolio helps you to grow.*

When creating a portfolio of strategies, I would recommend selecting those that involve separate markets and that apply a different set of logic. For example, you can have strategy A for one market index, strategy B for a grains market (such as soybeans), and strategy C for the energy sector (think crude oil). It's best to base each strategy on a different logic and trade them on a different time frame. Combining these three strategies has already created a small portfolio, which could bring about a better outcome than a single strategy. If you apply a single strategy, you run the risk of it failing at any time.

4. Solving technical challenges

Whether you're in the comfort of your own home or hiking the Inca trail to Machu Picchu, it's not easy to always keep an eye on your trading. I've experienced some challenging situations in my travels. In Laos, my mobile carrier didn't have coverage at all and there was no Internet connection around. I couldn't connect to my trading servers for over a week.

When it comes to hardware, in general, I use my own server (just an ordinary, mid-priced server) and Windows Remote Desktop Connection. It costs me around $80 per month per server and I can always connect to my trading servers from my tablet or mobile phone to keep an eye on my positions. I usually try to check my positions once or twice a day. I also use one of the servers for development—I usually connect from my laptop, start a new optimization process, and let it continue running for several hours or days, without me constantly monitoring it.

In some special situations (like when I went on a 100-day cruise), I prefer leaving all my trading to a specialized brokerage company that can run strategies and watch them all day for me. Of course, there are higher commissions for that, so it's a tradeoff, but sometimes it's necessary. Fortunately, the broker in the company I sometimes use is also a good friend, so I know that my trading is in good hands.

5. Working on the mental challenges

Through the years, I have learned that trading psychology is extremely important in trading. I have been trading for over

10 years (the last six years using only automated strategies) and had to learn a lot about myself. You need to know your tolerance to maximum drawdown and adjust your portfolio and capitalization accordingly. For example, I know I can't stand a portfolio drawdown of more than 25% so I always protect myself the best way possible against such a situation. For that, I like using Monte Carlo analysis. After I have come up with a final portfolio of strategies that I want to run, I use Monte Carlo portfolio analysis to see the worst possible outcomes in terms of maximum drawdown. Then I adjust either the portfolio or my capitalization of the portfolio accordingly.

I had to learn that drawdowns are part of this business. You can't avoid them. The good news is that you can learn to live with your drawdowns and survive them if you adjust your portfolio and capitalization according to the drawdown you know you can withstand. You should spend a significant amount of time trying to find out how you can best weather the drawdowns mentally. For me, meditation works well. I have been meditating for years twice a day (around 20 minutes each time), and it helps me with the mental part of trading and with my creativity.

My final piece of advice

I have met many traders over the years, including in my travels, from absolute beginners to hedge fund managers. I have learned a lot from each of them but I have also figured out the most common mistakes beginning traders make. Here are some of them:

1. **Rushing into live trading.** I am always surprised at this. Beginning traders usually don't spend any or very little time on robust testing. They are easily fooled by smooth, beautiful-looking equity curves that are the result of an overfitted optimization. Without heavy testing for robustness and the ability to throw away up to 95% of the strategies (because they don't pass the robustness-testing criteria), you cannot build a serious trading business.
2. **Undercapitalized.** If you don't have enough capital to start trading, you're better off pooling your resources with others (and open a joint account with a brokerage). You need to have enough capital to significantly increase the odds that you will succeed.
3. **Not enough thought given to risk management.** I was surprised to find out that even hedge fund managers sometimes don't work on this. I often have to explain to hedge fund managers what Monte Carlo analysis is and how to use it for better risk control and for gauging the worst possible outcomes. Monte Carlo analysis is one of the most important tools for serious traders.
4. **Trading without a stop-loss.** Applying stop-losses is an important component of risk management. If you don't use stop-losses, then you are not managing your risk and you could lose it all. I have come across too many beginners who trade without stop-losses. This is certain to make you go out of business.
5. **Incorrectly believing that automated trading is about methodology and gaining an edge.** Yes, you need both of these, but you also need creativity and the ability to adapt to constantly changing markets. It's about psychology, too. You mustn't be too rigid and you must stay open and flexible. Trading is not a science; rather, it is an art that involves a lot of science.

I also believe that selecting the right market is key. For example, I have met very few traders who make a stable income in forex. Most of the profitable traders I know trade stocks or futures. I trade the futures market only and am a 100% automated trader so there is no human emotion involved. Emotional interference can significantly increase your risk if you tend to bend the rules and don't follow your trading plan.

The good news is that you *can* become a successful trader. But it requires a lot of patience and persistence, and it won't happen overnight. It requires at least two years of hard work to start making a steady living in trading, but it's worth it. You can make a steady income, gain a lot of freedom, and do the things you enjoy. It is so liberating that it keeps you motivated to continue working on your trading and become a better trader every day. It is a journey and a lifestyle, with a lot of benefits and challenges. There's never a dull moment.

Tomas Nesnidal keeps a blog at http://www.systemsontheroad.com/blog, where readers can download a free strategy from his portfolio of strategies to see an example of his trading strategies.

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