

Competitive edge



Dave Limburg: No delusions despite a performance that snared him \$100,000 amid hot competition.

Photo: LOUISE KENNERLEY

Skill and something extra makes a winner

Discipline and daring helped Dave Limburg at the right time, writes **Shane Nichols**.

Success can be the seed of its own undoing in CFD trading. A run of good trades can convince an inexperienced trader they're something special, and that pride usually comes before a fall with a major loss.

When Dave Limburg ended up well ahead of the next competitor in CMC Markets' inaugural trading competition, he was experienced enough not to let the win or the \$100,000 prize money go to his head.

"At the end of the competition I actually shut out all my positions and walked away for a week, because I was aware of that [risk of success clouding judgement]," says the 28-year-old trader from Sydney.

"It has happened in the past where I've had a really good run and I'll blow a chunk of it in the next few days because I've started thinking I'm the king — The Master Trader!" he laughs. "So I had to step back for a bit."

The last few weeks of the competition, which ran from April 2 to May 30, took their toll, Limburg says. Until the late stages of the competition, one of the rivals had a seemingly unassailable lead. "I didn't think there was a chance — I just took a look at the leader board once a day out of curiosity," he says.

But then the competition leader made a calamitous error and slipped well back, making Limburg one of several competitors suddenly in the

front running. Limburg upped the ante when he knew he had a realistic chance. His trading positions became a lot bigger, involving positions of around \$300,000 each, and a few at \$500,000 each. In the final month his turnover was \$13 million, which compares with his average month of \$2 million-\$3 million.

"I was a bit burnt out when it finished," says Limburg, "because in the last weeks I was taking on some huge trades and I was not sleeping that great."

He says he had a winning ratio of 70 per cent in the final weeks of the competition, but in hindsight some of the trading was riskier than he'd normally allow. He's too experienced, as a trader of shares and derivatives for 10 years to discount an element of luck in the final stages.

"I didn't particularly do anything different during the competition — I hit a bit of a purple patch and came through with the goods. But I don't consider myself the greatest trader in the world now or anything like that.

"There's always an element of luck but at the end of the day luck is not going to make you money. Not in the long term. I'm not saying I

was totally lucky — I was in the top 10 the whole two months. But there's an element of luck that I beat someone else by 30 per cent. A couple of wrong decisions and I might not have been ahead by that much."

Limburg's return on investment was 441.8 per cent. The second placegetter scored 408.6 per cent.

The result was certainly a vindication of his chart-based trading system which has allowed him to become a full-time trader in

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recent years, having given up his former career in landscape gardening. Limburg used to down tools in the gardening business at 3 pm each day so he could nip off home to trade.

He became a much more serious trader during the tech boom around the turn of the century, becoming "more aggressive and taking on much greater leverage". By this time his trading method was wholly chart based.

Most of his training came from trading, he says, but he also cites books by trading psychologists Alexander Elder and Van Tharp, which "are brilliant. They go into the whole package — money management, psychology, discipline. That's critical — you can't just read charts. They delve into all that, whereas a lot of books don't — they just say 'read the charts, buy it and you'll be right'."

Normally Limburg's trading centres on Australian stocks, with some foreign indices as well. He picks over CMC's offering of about 150 stocks, using a daily chart to watch for trigger points. He times his entry and exit with a five-minute chart, which along with his risk management, is something he's scrupulous about.

"You can get a better entry if you can really refine it right down. And again I'll look to exit on a five-minute chart if I see a sign of weakness or it's about to break down.

"If I get into a stock and I see it looking weak I might get out within hours. But if it's looking good I might stay in it for weeks."

Limburg manages risk by setting tight stop losses and never risking large amounts of his capital. "I've always got really tight stops. I'm pretty disciplined in that respect. You have to respect your stops. But the main thing is I really don't risk much, dollar-wise, per trade."

Top position

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