

TRG 66 Transcript

Nichole Stohler

What if you could be doing something smarter with your money that creates income right now, if you're an IT professional who's wanting to get ahead financially and enjoy greater freedom of choice, and if you wonder who else in tech is creating ways to make their money work for them? You want actionable ideas with honest pros and cons and no fluff? Welcome to the richer geek podcast. We're helping IT professionals find creative ways to build wealth and financial freedom. I'm your host, Nichole Stohler. And in this podcast, you'll hear from others who are already doing these things and learn how you can too.

Nichole Stohler

Welcome back to the richer geek podcast. We don't usually cover a lot of strategies around the stock market. Because we are focused on other types of strategies for growing your money basically through owning real estate, buying a business, passively investing in other people types of businesses. But the reality is there are some interesting things around the stock market. And especially right now we're in the middle still of COVID-19. And people working from home and I became aware that day trading is significantly on the rise because people have more time. There's no events going on. There's no school functions. There's no committee meetings. So people are home a lot more and looked to do some day trading. Now, I don't know anything about that. And we are not going to be discussing that today. But along those lines, today's guest is Lauren's Ben Stuart. And Lauren's is the best selling author of the 30 minute stock trader and also his new book, automated stock trading systems. Now, what Lauren does is teach and mentor people to set up these automated trading systems. It is not day trading, and we talk about that a lot. Little bit because I did ask him about how does that all work? Let's go ahead and jump into the show. Lauren's Welcome to the show.

Laurens Bendsdorp

Thank you, Nicole. pleasure being here.

Nichole Stohler

I'm really excited for this episode. We were just chatting a few minutes prior I think it's very timely. We're still in the middle of COVID-19. And and what that's doing to the overall market. A lot of people are uncertain not sharing what not sure what to do. So give us a little bit about your background. And and really how you came to you wrote a couple books. Tell us a little bit about your background.

Laurens Bendsdorp

So my background is actually not in stock trading originally. I used to be a long time ago. whitewater rafting guides and was traveling around the world and teaching people how to run down very dangerous rivers and Stuff like that. But there came a time when I really wanted to have more of the intellectual challenge as well. And I've always had a very large affinity with numbers, etc. And the stock market for me was the most interesting parts to really dive in deep and to get an expert in that because it is basically a market where you can traits from your home wherever you want to be, and if you do a good job making money with that, so I started to specialize in developing trading systems where the computer decides for you what to buy and to sell. And my main focus is on trading a number of systems At the same time, so that basically whatever the market movement is, if there's a bull market or a

Laurens Bendsdorp

Canadian, that's been shown to be very pleasant, of course during this complete COVID issue that we have right now.

Nichole Stohler

So you help people figure out these automated trading systems. And it kind of reminds me a little bit of where someone would have like 80% of their portfolio is in stocks and 20% in bonds, and this is, like, based on their risk tolerance. Is that a good summary?

Laurens Bendsdorp

Um, a little bit, I think, eventually if you're 80% in stocks, and you could get a scenario like the 1929 depression scenario where the market It's dropped 85%. So you would assume then that you would lose like a huge amount of money. So the risk tolerance is basically more like what kind of market or what kind of declines in your equity Are you able to handle to continue to trade your strategy and we do that with a little bit more advanced algorithms of how many shares to buy. We buy them according to the volatility of the market. So when the volatility when the movements are very large, we tend to buy less shares. And when the volatility is a little bit lower, we could buy a little bit more shares basically. So it's a little bit more advanced with that.

Nichole Stohler

Okay. Now

Nichole Stohler

you've read recently written a book called automated stock trading systems. It's a bestseller I think it just came out in March. Is that right?

Laurens Bendsdorp

Yeah, exactly. It was the 31st of March that it came out. And it hit the best selling list within 24 hours on Amazon. And, yeah, it was quite a timely time to actually launch that book during this whole Corona crisis thing, of course, because there's a lot of systems in the book in which I explain exactly how to make money during a declining market as well. So in the book, I describe seven different strategies, where you basically will see all the entry and the exit rules and you will have simulated returns all the way back to 1995. So you see what the edges were on a historical level. And then basically those are programmed into the Computer and the computer every day spits out for you the buy and sell decisions, according to that strategy. And the last system that I write about in my book is called the catastrophe hedge. Which, of course, when the whole COVID thing really started, that's kind of what happened to the markets in March. It was really a catastrophe in the markets where we saw the indices, 30 and 40%, declining suddenly in a very short period of time.

Nichole Stohler

Let's break that down into a few things. First of all, I love that you have a strategy called the catastrophe hedge. And then that is in your book and you're right, the timing, because you know, you go to publish a book, you've you've set that in motion, several months, years, whatever the case, for and then that just happens to come So that was a very good timing. So one of the things that I had asked you before we started recording was about day trading. Because I know that once that happened, and then everybody went to a work from home mode. And then people had more cycles because they weren't going to sports games and they didn't have evening activities and their kids didn't have events at night and no soccer tournaments, on the weekends, everything canceled, people had a lot of time. So there has been a an increase in people looking at day trading. Because the thought is well, I have the time now to watch that. Tell us a difference between that and and your system and your approach.

Laurens Bendsdorp

So I generally think that the day traders as as people see it is that they can sit behind the screen the whole day looking at a lot of different monitors, and buying and selling the whole day and making money of that not a reality. That 99% of all those day traders, they eventually will blow up their accounts. Especially when when the reason for to get started into day trading is boredom because people don't have anything else to do. But you don't really have the background in there you don't have the the scientific proof that your buy and sell decisions are actually making money. You're putting yourself into a lot of trouble. My approach basically is where we use end of day

historical data of the stock markets and based on that, we have statistical models where we define buy and sell decisions. We place our orders before the markets opens and this can be done in less than 30 minutes a day. And it has always shown that there is a large edge Especially compared to day trading, where for normally for people emotions take over. And that's the time when most likely they're going to lose too much money. Because they're looking at the news. They're looking at other stuff. In my approach, it's everything is completely automated. We don't care about the news, we don't care about profit warnings, we don't care about economical news that comes out. Our models basically react according to what the market tells us. So we're not predicting, but we are reacting according to the price action of the markets. And that is a very pleasant way to trade because it takes the emotion out of it. So a great example exam, again is that's complete COVID thing. markup declined very fast. For me, it was a very Very comfortable time to trade. First of all, because I and many of my students had systems in place that make money during that time, and especially because the movement, so we're so large, we adapted our positions to be smaller. So I didn't lose an hour of sleep because that whole movement, and that is key with stock trading in general that you take the emotion out of it, and not looking at not not letting the news messages getting the better of you because that is a dangerous approach checking.

Nichole Stohler

I like a few things that you mentioned. And I'm gonna equate the overall principle you talked about a very disciplined approach and strategy and you're looking at historical and then that is how you're making decisions based on a strategy that you Have Said and it's interesting because I think that kind of relates to what I talked about when people are investing in real estate and actually buying a physical asset like physically owning a real estate piece of property. The same thing like what has the rent historically been over the past 10 years? What What could it be if it if you know, economics and people lost their jobs, and then suddenly, they're not able to afford the same kind of rent and then there's price increases and pressure on rents? Can you still make money? That's part of your strategy. If not, you don't buy that property. Right. So it's kind of a very similar. Now, my question is, is there a lot of upfront setup to get the systems in place and then it sounds like just kind of some day to day maintenance after that fact?

Laurens Bendsdorp

I think that's that's that's a correct assessment. Yes. I mean, to to to get to a stage where Have a a certain number of systems that work well together in any kind of market environments, it requires back testing using the computer to see how the models worked in the past, etc. So it is like in my mentoring program to a couple of students that I that I mentor, it's, it's it's six months of definitely some hard work that you need to put in there. But after that, all you need to do is continue to follow the system and placing your orders in your broker platform. And that can be done even on an automated way as well. So once the hard work has been done, and you see what the statistical edges are of your systems, and that's what I like very much if I have data to back up, my buy and trading decisions so they actually in No, that when I buy that six or seven out of 10 times there is a statistical edge that three or four days later, the price is actually higher. And so so that's that's kind

of the way how it is that in the beginning, it certainly is hard work. It's not that overnight. You can be a master at this. It's It's the same that when you want to become a heart surgery, you're not getting that overnight. There's years and years of working with that. I mean, I don't know for how many years those those surgeons need to study before they actually master a skill like that. And with stock trading, I think it's exactly the same. The learning curve can be shortened, of course, but one needs to be willing to put into work first. Before you can master that. Yes.

Nichole Stohler

Can you tell us a little bit about what that work involves? Because I'm envisioning reading research reports. But I don't know. What does that actually involve for that six months that you're talking about?

Laurens Bendsdorp

Yeah, research reports and stuff like that is probably the last thing that we that we focus on. We focus really on back testing. And what that means is that we use the computer where we use historical data to see how certain buy and sell decisions have been working out on a historical basis. And then we see all those statistics and based on that, we start to back test in which we use different parameters to see how those models have been working in the past. And that is the main work basically to to run a lot of simulations on the computer to see what works and what doesn't work. So a simple concept is that there is a trend in a certain stock, you will hop on that trend and say, Hey, I'm going to write that trend. And you keep in that stock until the trend starts to move down. Same as with real estate, when you buy real estate. There are times when real estate is trending up for a very long time. There's also times where it's maybe not that favorable. Now when it's not that favorable anymore, then it's when you get out face. And we have the computer to basically tell us for that, when would be that exact time to measure that right now the trend is over. So that part is all done automatically. So it's all about running those simulations and analyzing those simulations. If those models money into times where they're supposed to be making money.

Nichole Stohler

I got it. So looking at the historical for, you know, 100 plus years, being able to create stress tests type of models, looking at what typically has happened, and then buying and selling, it does sound active, right? Pretty actively buying and selling based on those models. It can

Laurens Bendsdorp

be active, it doesn't necessarily need to be. It depends, again of what the personality of the trader is, if you have a trend following approach, it is not that active if you've got a you've got other models that are certainly more active. But again, once you have done the mock the the work,

everything is in the computer. And it's just on a daily basis where you download your data and you hit A few mouse clicks where the computer then spits out the buy and sell decisions for that day. So once the hard work has been done, the actual trade frequency does not matter that much anymore. Okay.

Nichole Stohler

Wow. So very fascinating. It's not it's, I think we would have to get your book and start to understand who who typically takes your takes your classes participates in your programs like Who are these people.

Laurens Bendsdorp

So generally, I would say between 35 and 60 year old, high net worth people who have an affinity for an automated trading approach. They're comfortable with computers that don't need to be properly grammars are anything, it's not necessary to learn how to program, but one needs to be comfortable with looking at basic statistics or anything, and I don't have a university degree or anything like that. So it's not that you need to be an absolute genius at a lot of very complex mathematical models. But one needs to be comfortable with that, and for many people, and I've trained physicians, I've trained out entrepreneurs, etc. Their main desire is basically to run their own investments, but making sure that it doesn't absorb their complete life, but that it can be done in a short period of time during or before the market opens, basically. So even when you're Traveling, you just have your computer with you, and you placing the orders. And that's basically it. And for the rest of the day, you do not need to look at the market. So for many busy people, this is a really great way to actually continuously accumulate Well, when people are focusing on other things, they can continue with their normal job as well.

Nichole Stohler

I think that's the part that's really appealing because when I do think of active trading, I did, I did in my mind picture of the person with their mobile device that you know, they're they're doing something and all of a sudden, they're like, Oh my gosh, no, I have to go get I have to go make a trade right now. And I can't think of anything more disruptive than that to to a day or your life or your work or other things that you're doing. Exactly. And I

Laurens Bendsdorp

used to be like that. About 20 years ago when I started to trade and it was dominating completely my life I was looking at that time not at my at my phone. But I had a little device where I could see the stock market prices etc. And then when it started to move too much said, Oh man, I need to get back to my computer because I need to buy some things or to sell some things etc. And you're basically 24 hours the stock market is dominating your minds. Now with this approach, you just

need to consistently follow what the computer says you know that it has a statistical edge. So that's basically it. You take a large part of the emotion out of it and it has been proven over and over that emotion human emotion doesn't change and emotions are Mostly the cause why people do not make money in the stock market. Now, with this approach, you take that emotion out of it. And again, as I mentioned during the complete Corona crash, I didn't need to watch the market during the day. No, because I had systems in place that were prepared for a market event like that, that were protecting my other systems basically. So it didn't change a lot for me during that time.

Nichole Stohler

I think that is pretty powerful. Especially because it's it's just new and we've all been through it and we don't know what is going to happen again. And now we're having to wear masks again, and we're seeing a resurgence. So it's all very, it's all very scary and unknown. So Exactly, and

Laurens Bendsdorp

that is exactly the hard part as well. That with fundamental trading or day trading trading Whatever people make some kind of prediction where the market goes, but basically nobody knows. There's nobody who knows where the market will be from, from now, in a month or so, some of them will have rights. And then in hindsight, they can say, See, I told you, I told you it was going to be up. But when the markets were down in March 30%, there was nobody who would have predicted that in June, the NASDAQ was making an all time high again, in the markets. And now in hindsight, it's very easy to say yes, it's because of this and that, etc. But no, and the uncertainty continues, like how will the economy react to this? Will it will it take a longer time to recover? But then still, how will the stock markets react to that? Will there be continuous stimulus From the Fed, etc. We don't know. But as long as we have different systems for that in place, that are designed to make market money during different market environments, we don't really care about all those things that are surrounding us by corporate events. Businesses going bankrupt, fed decisions, interest rates, I don't care at all.

Nichole Stohler

Yeah, that sounds very freeing. Yeah, I mean, there's that sounds very appealing. I know I had to stop watching the news just just because it did really upset me economically what was happening so Okay, so this is like a breath of fresh air for someone who wants to not look at your Twitter feed, not be you know, constantly on your mobile device looking at the market and not worrying about it. So where can listeners get in touch with you or learn more?

Laurens Bendsdorp

So they can buy my books on Amazon. We have my first book that I presented in 2017, the 30 minutes stock trader. And then the book that I recently published is automated stock trading

systems. The first book is a little bit more of a starter, the second one is more advanced. They also can go to my website [trading mastery. school.com](http://tradingmastery.school.com).

Nichole Stohler

Fantastic. Thank you so much, Lawrence for coming on and sharing these concepts with us.

Laurens Bendsdorp

It is my pleasure. I always love talking about it. So this was great.

Nichole Stohler

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