

View From a Currency Trader Part 2 - Deliberations

In this world it's *tough* to make a buck.

This is something you already knew. Let me take you by your hand and bring you through the massive, impenetrable iron wall of the ForEx for an inside view to show you why this is. *Come along, now, right through here....*

While we're going, I'll talk, you'll listen. Deal?

In neither backing nor opposing the SEC's final decision on this hedge fund limit issue, perhaps by giving you folks a quick *inside view* of the global currency market where all peoples' money gets exchanged daily, you may better judge for yourself not only which way to go regarding the matter but perhaps, too, be better off in your future investment decisions for knowing how it really is, in the heart of the great Foreign Exchange market.

Quicken your step, we don't have a lot of time here - by the rules I'm not really allowed to take you in here... but, I don't really care about the rules.

Hedge funds can be formed by anyone bright enough to file an LLC form - in some states, for less than \$100. Think of it as a business license on steroids. From there, it's a matter of clicking and pasting a series of industry standard paragraphs delineating and fulfilling various legal requirements of disclosure, etc. Some attorneys try to get as much as \$30,000 for this. Others can *get the job done* for less than half.

Afterwards, you can hang out your **Freddy's Hedge Fund - Open For Business** sign. (advertising is "prohibited," *read between the lines*).

Now that you've quit your clerk job at Walmart and acquired the official title of "hedge fund manager," you're in the position to take in as much money as possible, for which you'll relieve your "sophisticated investors" of 2% (or more) upon their arrival to your promised land. For the more "sophisticated" among you, think of this as a front-loaded fund.

As we're coming here to the Trading Desk of one of the colossal banks, you'll notice over there in the background hedge fund managers looking stumped. No big deal, it's just because *they* don't know any more about what they're doing than you would if you sat down in front of a trading platform.

How can I say this? Simple. I've squared off 'round-the-clock for years against hedge fund managers in the ForEx, and I can tell you they have no idea what they're doing. To their credit, some of them at least try to learn as they go.

I'm a "contrarian" currency trader, a specialized individual, meaning that every day when 99.9% of the best, brightest and most hard-nosed "traders" on the globe *pull the triggers* on their centimillion dollar ports, I'm the guy on the other side, known as, the guy taking the other side of their trades. Without guys like me, they'd have no reason for executing their stop losses.

For doing my job, I get the opportunity to dance and whistle all the way to the bank once a month to cash the check my broker sent me representing profits I took out of the pockets and trading accounts of all the dudes who YOU are fussing over in this SEC forum, about **not** being able to give your money to them to trade with.

In the ForEx, everyone who is anyone eventually shlumps through. Most get their financial clocks cleaned. Hedge fund managers *first*, teams of traders for super banks, super wealthy private traders, institutional traders, "head currency strategists," backed up by armies of analysts and economists. The best money can bribe. They're in good company with the sharpest options, stocks, and futures traders on the planet. These are the guys and gals I'm up against every moment.

And, you know what? They join the leagues of the rest of the assorted "liquidity providers" who, at any time, normally have at least one trade opened in one direction at any time: Short or long (that is, in a sell or buy direction).

As we make our way over to the giant cash register let me tell ya, here's the ironic part and the magic of the market: Even when 50% of traders and participants are short, and the other 50% are long. And the market only goes one way or the other at any time. They ALL lose.

How can this be? Very simple. No one, and I mean no one on earth knows, tic by tic, which direction the market is headed.

Think it over. Second by second, all the people who have ponied up the \$1.4 trillion (currently under hedge fund management according to statistics) are giving this money over to other people who are as 100% in the dark as they themselves are, being "sophisticated" investors.

This is because **no one** by ANY means knows where the very next *tic*, up or down, side to side, is headed.

Moving over to the Big Charts, watch it, candlesticks tend to fall here, if you have two down tics in a row, you may have another one. Or, you may not. The two down tics *may* be followed by one up tic. Or, maybe it won't.

Look to your left at the long desk where, lined up, all the Ph.Ds, all the MBAs, all the most "experienced" and long time "traders" in the world are sitting... now know a secret: YOU have **just as much chance** of knowing **exactly** where the price of an instrument such as EUR/USD (euro/US dollar - the most highly traded instrument in the world) is headed from one second to the next.

Sit down here while I do a little stand-up comedy. Here's the joke: YOU give your *money* to these people. YOU make *them* rich! How? Because, after they take their front (entry) load fee from you, they also take 20% or more of ANY profit the market gives them in a year's time. Say you give a hedge fund a million, and your neighbor does too, then others... pretty soon the hedge fund manager is *trading* a \$10,000,000,000 pooled "hedge" fund. Big deal, you say?

Get up, let's go across the isle to the Big Calculator... do the math for placing that money in even a 5% interest bearing bank account for a year.

The manager's salary for one year... ready? Better lean on the counter... \$200,000,000, **plus** 20% of the \$500,000,000 "profit" = another \$100,000,000.

YOU just did your part to help make the hedge fund manager \$300,000,000 richer.

Here's the punch line: You're risking your entire "sophisticated" investment in the hedge fund to have a crack at making... 3% (5% profit less the 2% front load fee) plus a chance at whatever your *hopes and dreams* are. In the currency market, it's like opening a trade with your money and having a 97% chance of not winning and a 3% chance of winning *something*, you won't even know until much after the fact.

And, YOU account that as being "sophisticated." Pardon me while I laugh *at* you for the next 10 minutes.... You're funnier than I am.

Moving right along, over here is the grandstand of The Racetrack. Sit. *Please*.

The first hedge funds were formed to "protect capital and preserve principle against major market downturns." Yet, today's hedge fund industry has turned them into horse racing. The "winners" (and there are very few of them) are the ones who come out at the end of the year having the highest returns. The losers? Let's take a look. Right over here, to The Graveyard of *Sophisticated* Investors.

Brian Hunter, who also reportedly made a personal salary of \$75 million in 2005 for trading for the hedge fund, Amaranth, smoked over \$6 billion of its money in one week, according to news sources. You can read the rest on a Google news search, if you'd like.

Tell me, where was the **principle preservation** in that hedge fund equation? And, I'm not putting down either Amaranth *or* Brian. This is just the state of affairs when it's an *off to the races*

environment. Brian was just doing his job, probably, as a professional trader, the best he could.

Let me make something clear here as we cross Wall Street. I'm not insulting traders or hedge fund managers. Trading is one of the most difficult endeavors to do well. Not losing makes the task and daily grind even harder. Winning? You got to be kidding. Few can name anything more difficult to do on an ongoing basis day in and day out than winning.

These guys and ladies have their hands full.

Now, let's enter the direct area where money is being swished around at the speed of nanoseconds. Almost as fast as the human mind can think, staggering sums are hurled back and forth, hour after hour. Five hundred *trillion* dollars a year of it.

Pulling up here to my own trading platform, let give you a taste of why these nice people around here have such a hard time making ends meet.

First, I have several *hundred* successful currency trading systems, trade set-ups and methods I designed from scratch. Go ahead, call me obsessive. I'll explain what just *one* of them does.

In the market where there is pure liquidity (also known as *money* or *currency*) I can calibrate my exchanging mechanism to a 1000th of a penny. Yes, of one *cent*.

Now, let's talk shop. Precision is what I have, folks. I use original *cornering* techniques that make it so you don't even have a choice... if you enter this market... your money will be *cornered* by me and taken *by force*.

Ah, now look out through the big bay window onto the World. This is where the *rest* of the money shuffles back and forth before it makes its way into my realm. Being so highly calibrated to the *movement* of your cash, we currency traders measure your typical dollar (\$1.00) by adding two additional zeros like this: \$1.0000. Because I'm a specialist at separating fools from their money, I take that last zero and add another one that is divided into 10ths.

YOU have no choice. Inside this market, *I do*. Lots of them. Let's get a little clearer picture here....

Whenever you spend OR invest OR make a trade, money is involved. The effects ripple into the ForEx in one way or another. Listen, I *want* you to make a living. I want you to spend your money. Oh, and you will. And, more importantly, you'll *invest* because, afterall, you're "sophisticated."

Further calibrating my mechanism to .1000th of a penny I then order it to eat... the pain, the blood and misery of the nations represented by currency. The Japanese *yen*, the British *pound*, the Australian *dollar*, the US *dollar*, the Chinese *yuan*, the euro... in the struggle of mankind, one against the another. This is my world. Where I live. There's not a day that goes by that I am not reminded that the money exchanged here is done so by the suffering of mankind. This is the blood pit. The center of all money, all gains made by the losses of others.

In your state of sophistication you have no idea, and have no concept of what I do *to* your money, being in the ForEx. Let's put it this way, money moves, and when it does my mechanism traps it... a *percentage* of it. You know, the truth is, folks, it's like a tax upon you... for living. If you even breath, my trading system, the one I'm explaining here, takes a chunk, ever so minute, still part, of your money.

And, you know what? I don't even trade *that* system. So simple to take your money, it bores me.

Well, let's let the rest of these people here get on with their burdens. The have plenty to keep them busy.

I guess, where all this is going is, as we exit through the door marked, *It's Time For You To Leave*, you may be doing yourself an inconvenient favor by thinking you can join the wealthiest 1% or even the wealthiest 10% of people by investing in hedge funds.

Scuse me while I close this *door*....

That ain't the way to get rich, people. Money is always in proportion. For example, if a rich person who has \$100,000,000 makes \$10 million, it's the same as a person who has \$10,000 making \$1,000. The same with losing. Who's better off?

You get money, *you get your incentive*... by being *inventive* and by working hard. By caring for others for their good and betterment. By being a student of the market. Not by thinking you're riding on the backs of those more talented in making money than yourself and that it would be an injustice to you should the nice people at the SEC raise the minimum entry level to hedge funds. They may just be doing you a favor.

Trust me. You don't want to run into someone like *me* in the global currency market. Neither do you really want to give your money to someone else you think is gonna somehow get you a free ride into the Land of Better Returns. To avoid doing so, you're not missing anything.

Good luck,

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