

## **A Portfolio Manager's Trading Strategy**



According to Richard Dennis, from The Complete Turtle Trader, “Without a philosophical foundation, the trading strategy would be perilous.” As there are infinite strategies for market trading, those with a solid foundation were seen to be the most profitable. Over the course of the profitable entries filled by the portfolio manager at study, a unique foundation was highlighted in terms of market phasing, market timing, and trading style.

### 1. The Gold Market's Phases Jan 2021 – Dec 2021:



According to Charles H. Dow, the market has two main phases. It is either:

1. Consolidating: moving sideways within a range
2. Trending: moving clearly in an upward or downward movement

Over a span of one year, from January 2021 towards December 2021, the XAUUSD pair fluctuated within a consolidation rather than a clear trending market.

Consolidations with high volatility often create challenging trades for amateurs; however, with a solid strategy, trading experts, similar to the gold portfolio manager at study, were able to secure highly profitable trades. In the case of the above manager, a yearly profit balance was closed near 2 million USD.

In the chart above, trading ranges were highlighted to further visualize the complication of trading consolidations, as they are accompanied with significant price fluctuations instead of a clear trending movement.



The chart further draws attention to two scenarios where the strategy of the portfolio manager was highlighted. The consolidations where an arrow is pointing towards, represent one of the areas where an average profit of 20,000 USD was secured.

### 1.1 Case Study #1:

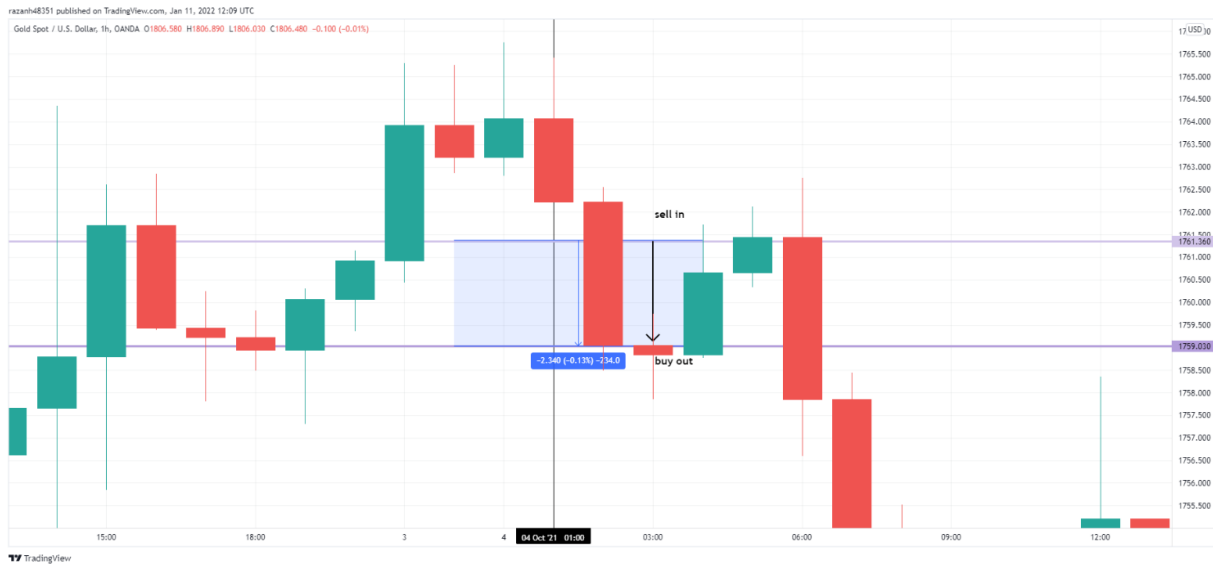


Following the support and resistance values of the previous range, XAUUSD pair was shorted from the 1828.78 resistance level towards the 1827.77 support level.

- **Date:** August 30 2021
- **Entry time:** 3:24 am
- **Exit time:** 4:41 am
- **Volume:** 83.8 contracts
- **Net Profit:** 22519.44 USD
- **Return on Equity (ROE) = 0.312**



## 1.2 Case Study #2:



Following the support and resistance values of the previous range, XAUUSD pair was shorted from the 1761.36 resistance level towards the 1759.03 support level.

- **Date:** 04/10/2021
- **Entry time:** 7:41 am
- **Exit time:** 9:30 am
- **Volume:** 92.8 contracts
- **Net Profit:** 21108.81 USD
- **Return on Equity (ROE) =** 0.301



## 2. Market Timing

Market timing is considered crucial for securing profits when trading the consolidations.

The above portfolio manager often enters the trades between the middle and the end of the Asian Market's trading hours, between 11 p.m. and 8 a.m. (Beirut-Cyprus time).

As shown in the previous two studies, the market entry and exit was roughly between 2 a.m. and 8 a.m.



\* The market trading hours are divided into three phases:

1. 8 a.m. till 4:30 p.m.: European trading hours
2. 4:30 p.m. till 11 p.m.: U.S market trading hours
3. 11 p.m. till 8 a.m. Asian market trading hours

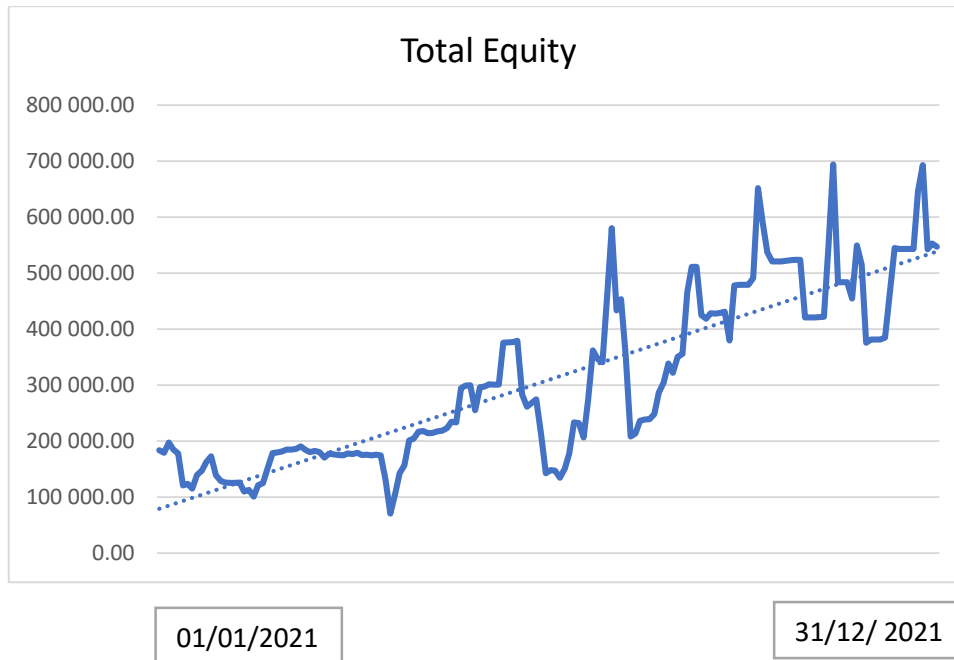
\* The significant difference between these market trading hours lies in the levels of volatility. Classifying the markets from least to most volatile, the U.S market comes first, the European Market second, and the Asian market third.

\* Low volatility levels often create safer entry and exit opportunities than high volatility levels.



### 3. The Portfolio Manager's Yearly Performance

With the high expertise of the portfolio manager at study, investing in the safe haven, XAUUSD pair, over a span of one year, recorded a significant return, as demonstrated in the chart below.



Trading the markets is similar to a game of probabilities, where there is no strategy that can be profitable 100% of the time; hence, there is no portfolio that is exempted from losses.

However, what distinguishes the good managers and traders from the amateurs, is the way the losses are dealt with. Some traders let their losses run with bias towards their strategies, paving the way to a losing portfolio, and, some traders limit their losses and deal with the situation at the spot.

Similar to the upward price movements on a chart, drawdowns are mandatory for a further move upwards, to some extent.

Note that in a one year time period, our

**ROI portfolio: 833%**

**Max Drawdown: 20%**

