

INTERVIEW

A Father–Daughter Team

Bill Williams And Justine Williams-Lara

Bill M. Williams (BW), a former psychotherapist and founder of the Profitunity Trading Group, has more than 49 years of trading experience. Besides coaching traders in private tutorials, his three best-selling books — Trading Chaos, New Trading Dimensions, and Trading Chaos: Second Edition — have contributed to furthering his unique trading concepts. He is also well known on the speaker circuit, with a loyal following of high-level traders. He has taught seminars throughout Europe, Asia, and the US on subjects including the fractal of the Elliott wave, the money flow index, the “Wise Men,” and the Profitunity “Alligator.”

His daughter, Justine Williams-Lara (JWL), is the president of the Profitunity Trading Group. She has been actively trading for 14 years in both the stock and commodity markets. She too has trained traders in the Profitunity methodology and teaches private tutorial classes in her office in California. Trading is her life, she says, and teaching others to trade for their freedom is what makes her continue her father’s work.

John “Jay” Norris (JN), senior market strategist at Brewer Futures Group, interviewed the Williamses in person on February 23, 2008, in Southern California.



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Can you tell us how you did last year trading?

BW: Last year was our best year ever. I’ve been trading now for a half century, and the year before last was our best up until that point, and last year was better than that. I trade only stocks now, but most of my career I’d been trading commodities. [Earlier, Williams explained how he has substituted many of the commodity markets with ETFs in the stock market. —JN]

Last year, we had several different accounts, and one account was up over 100%. [This account is his everyday account from which he takes the profits once a month and buys physical gold and interest-bearing gold certificates.] The big account was up over 40%. We started something a couple of years ago because I believe one of the things that hurts people’s trading is that they get in and out too much, too quickly. So I am a trend trader and like to stay in the market as long as possible. I made the decision two years ago that on January 1, I would put on a trade and would

not get out of it come hell or high water until the end of the year, and that one trade was up 40% that year, and then up 50% the year before, so by our standards we’ve done quite well.

I know you’re quite an experienced trader and know a bit about commodities. Was there any one trade or campaign over the last few years that stands out for you?

BW: Yes. There have been quite a few. Here we are at the beginning of 2008 and the dollar is going down real fast and anything that is measured by the dollar is getting more expensive, whether it’s wheat or gold or currencies. If you look at gold, for example, it has gone up tremendously in dollars. But if you look at gold in some of the foreign currencies, the chart doesn’t look nearly as bullish as it does in dollars. So what we’re really talking about — and as we speak, we are in a housing slump — is most people were thinking they were making money on their houses and now they are finding out they weren’t making that much money, and the un-

derlying structure of this market is that the dollar is going down, so anything valued in dollars is going to be more expensive.

So it’s safe to say you’re a trend trader?

BW: Absolutely. We’ve been teaching people to trade for decades now, and one of the things that almost 100% of all new traders do is they get in and out too often. We’ve had our best success where we’ve analyzed the market, tried to figure out what the long-term trend is and get in and stay in for a while, so yes I am definitely a trend trader. Now, one of the ways we get into a trade is if we see that a trend has overextended itself. We have what we call a bullish/bearish divergent bar or period where we have indicators that show us that the market has gone up too fast, so we know how to counter-trend trade that market. Often, our first entry into a market is with this countertrend signal.

What time frame do you trade?

BW: Basically, I only trade the dailies. I spent many decades looking at the mar-

kets every moment of the day. In fact, one time my wife challenged me to eat lunch away from the screen. For 12 years or so, she brought me lunch every day [while I watched] the screen. If she didn't bring me my lunch, I didn't eat. And what I found once she got me off the screen was that the less time I spent in front of the screen, the more money I made.

How do you select markets, or stocks to trade?

BW: I do a lot of trading in exchange traded funds (ETFs) — that's a big boon for traders. I find so many market opportunities that I really don't have an organized way of looking for them. I know there are several scanning programs, but just in the daily run of life you hear so much. For example, going to the gas station we know that the price of gas or oil is going up so we can look at the oil stocks and see if it fits your parameters and if it does, you can trade it. So there's no problem finding opportunities. There are more opportunities than you have time to take advantage of.

What about comparing fundamental news in the papers to what's currently happening in the markets?

BW: As far as researching the company and reading about the products? I don't do any of that. I look at the chart and only the chart. I may occasionally read something in the paper and look at that chart, but I don't go looking for trades. There are so many opportunities every day; it's a matter of evaluating those opportunities to get the best trade.

Do you think system trading could match an experienced trader pulling the trigger?

BW: I don't think we're to that point yet — as much progress as we've made with computers and processing and evaluations, it doesn't match the human brain. So we try to get all the information we can about the trade and again we're looking at the chart. The chart is the "EKG" of the market; it tells you exactly what the market is doing. When we teach people to trade, we actually give them 10 seconds to evaluate the chart — where to get in, why to get in, where to take losses, stops; all within 10 seconds, and that takes practice but it's easy to do. It's not good to spend too much time thinking about it, and thinking what good or bad could happen.

What is your own educational background?

BW: My bachelor's degree was in engineering physics, which is super-scientific stuff, and my doctoral work was in psychology, which is sort of artsy-craftsy stuff. Both helped and both hurt. Trading is much simpler, in our opinion, than we want to make it. I once heard a famous trader, who had made more money than anyone else in the room, say when asked what his secret was: "Early on, I learned there is a lot less here than meets the eye."

And that's our motto here. We want to whittle out everything that confuses us and only go for the things that make a change in the market structure, and what we mean by market structure is what moves the market, which is human behavior. The chart is the EKG of the mass of traders out there right now. I want to emphasize I'm not sure my education assisted me so much. I had to get over that education to become successful at trading.

What did you do professionally before you became a trader?

BW: After college, I joined the Air Force and became a pilot. After that I worked several jobs and became an executive vice president of the largest carpet manufacturer in the country. Then I became interested in the mind-body connection and became a body worker for several years. And all the time I was doing this I was trading part time. From 1980 on, I've traded for a living.

Have you found that some professions lend themselves better to trading than others?

BW: The ones that lend themselves the best are basically those with a general education background. The greatest numbers of people who want to learn to trade are from the medical profession. A medical doctor's education does not benefit them all that much; a scientific education does not assist. You have to realize the market is different; the market is human behavior. The more we learn about psychology and psychotherapy and how a person operates, we learn it takes pretty much a generalist to trade. The background is not nearly as important as how you look at the world, what your philosophy is, how you think, and how you use your brain.

Any thoughts on discipline?

BW: You need to have some sort of approach to the market and stick with that. What most traders do is get a good system and ruin it for themselves by not sticking to it. No matter how good a method you have, you're going to have some losses. They give up on their method or philosophy or approach just because they've had a few losses. Most people don't really follow through with their approach to the market. They change it and when they start changing it, they start doing the wrong thing.

Is mental toughness teachable?

BW: It's easy to learn, but it takes commitment. And it's scary. If you're a husband and you go out to dinner with your wife one day and she asks how you did and you have to tell her you lost all this money, that's not easy. More times than not, traders won't tell the whole truth because it's embarrassing. I don't know of any way to get over that except to go through it and come out the other end. But the key point is to decide on what your approach is and to believe in it. It takes a great deal of faith to become successful.

When do you know you have that faith?

BW: I think it depends on your daily profits and losses. If your profits are exceeding your losses and you can improve on that ratio, you'll be okay.

Do you have an incident or trade you remember in particular because of fear?

BW: A very specific one. My wife happens to be a psychotherapist also, and we decided in 1980 that we were going to quit our jobs and trade for a living. We had never had a bad year when we were trading part time, but once we began trading for a living, we started taking losses. We considered ourselves professionals, not because we were good, but because we had no other job. Our account went down precipitously and got to a very bad point.

We were living in Georgia at that time and we decided to take off for the weekend and figure out what we were going to do. Fortunately, I have a great supportive wife, and she said, "What would you rather do than trade?" I answered, "There's nothing I would rather do." She said, "Okay, you go back in and trade and if we lose everything, then we can go back and practice psycho-

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therapy, and get some money and you can trade again.”

My sitting here today is because of her attitude. You need support. That was the lowest point in my trading career and since then it's been an upward climb and has been good ever since.

Do you find it important to maintain a particular trading environment?

BW: Absolutely. You need a relaxed environment to trade in. When I came back from that break, I had nine computers going. I had a special table built to hold them all. I did this because my thinking was that more information was better. But in trading, more information is *not* better. *Correct* information is better, and you don't need everything that people want.

So now I'm down to one screen and I like to have nice music on and I don't answer the phone when I'm trading. I only trade the dailies now, so my trading day is about 15 minutes. Earlier in my career I traded all the way down to the five-minute chart, and that can be a grind.

Is there any trade of yours that stood out because of event risk?

BW: Back in the early 1980s when gold ran up, we made a considerable amount of money by our standards, and we felt like we were masters of the market and we knew what we were doing. We quickly managed to lose all that money and then some. And that's what led to that trip, incidentally.

What inspired you to write books?

BW: A few years into our being full-time traders, the science of chaos was just coming to fruition. And because of my background in physics, I got very interested in chaos theory. By the way, the science of chaos is not chaotic at all and delves into the deeper feelings of people that create behavior and creates actions. We hired three doctorates in physics and mathematics and they went into a mainframe and they did the work to figure out the chaos of the market and came up with a picture of the market that was much more accurate than anything I had seen. They came up with three moving average lines, which we call the “Alligator.”

What was interesting was that all the numbers they came up with to put on the chart as a guide were all Fibonacci numbers, and the mainframe didn't know

anything about Fibonacci numbers so that gave us confidence. In the years since, we've simplified it, and the more we've simplified it, the more profitable it's become.

John Wiley, the publisher, wanted us to write a book about it and we did and then they wanted a revision and Justine had the biggest part in that. If anyone is really serious about looking into our approach, we suggest reading *Trading Chaos*, the second edition, or visiting Profitunity.com.

Justine Williams-Lara (JWL), Bill's daughter, is the president of Profitunity Trading Group and is active in trading commodities and assisting clients. Here she joins in the conversation:

Have you noticed how different personality traits play into trading?

JWL: There are risk-takers and gamblers and we have to figure out the difference between them. The market offers so many possibilities for us as far as what we want to do, but we have to minimize the risk for the trades, especially in the learning stages. The biggest problem for traders is their ego. They want to be right. Typically, traders are in the top 10% intelligence-wise, which means we are accustomed to being successful in most everything we have done. If you want to be right all the time, this may not be the place for you. You are going to take losses in the market, so if you can't be flexible and control your risk, you could be in for a tough ride.

There are also a lot of traders who want to reinvent the wheel and spend more time analyzing than trading. They will typically have problems and may never actually place a trade. The most successful traders we have trained are now relaxed, have let go of their ego-driven ways, and have fun trading. That is our goal: Have fun while making money!

How do you react when a student wants to contribute to your method?

JWL: That depends. If they have real trading experience and similar philosophy and background, then they may add to what we have done to make it work for them. I don't think ours is the only trading methodology that works. I do know that it works well for many traders. There will be personality differences and differences in experience lev-

els for those who want to fine-tune the methods. If you have been using an indicator that works well for years and it does not contradict our indicators, I tell them it's fine. Just make sure you know you are adding to the basic methodology.

One of our favorite indicators for confirming the Elliott wave count came from a friend/student. We are always open to new information. Overall, the student who just wants to learn from a successful trader, follows the rules, and asks questions when they have any doubts tends to be successful much faster and with fewer losses.

What do you feel are the three most important factors that will lead to success?

JWL: 1. Attitude. 2. Common sense. 3. Trading system and enough capital to follow the system. If you have these basic things, your chances of being successful in the markets is better than the average new trader.

BW: Attitude, work habits, reality-oriented. Understanding that what is, is; and accepting the reality of what's going on right now. Flip Wilson, the comedian, used to talk about the Church of What's Happening Now, and to me the market is the Church of What's Happening Now.

JWL: We humans tend to overcomplicate everything we touch. The market is very simple. The market really only gives us the open, the high, the low, and the close, and people have derived different strategies and attitudes using just that information. So our approach is to look at the market and keep it simple.

I'd like to ask a question that's geared more toward getting below the tip of the iceberg of how you think and operate in your daily life. How often do you go on vacation?

BW: I'm on vacation every single day. I only spend 15 minutes a day with the market. And with software, computers, and wireless technology, we can trade from anywhere.

JWL: I wish I could say every day, but we do a lot of teaching and I need to be available for support to answer calls and emails from our clients. We try to vacation twice a year as a family, but every day I like to take an hour and read a book or sit outside in the sun, take a

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walk, or do some yoga.

BW: It's absolutely important that a trader be relaxed when they trade.

What periodicals do you subscribe to? What's on your coffee table?

BW: *Mac World*. I have more computer magazines than trading magazines. I read the trading magazines when they come across my desk sometimes, but I don't spend a lot of time reading about what people think. I've found that doesn't pay off. Everything you need to know is in the market itself; anything someone says is just gossip, not reality. The reality is that the market is where it is because that is where it is supposed to be and it is supposed to be there because that is where it is. Anything you add to that is just pollution.

JWL: On our coffee table you'll find *Vanity Fair*, *Rolling Stone*, *STOCKS & COMMODITIES ...* and *Dog World*.

Justine, is there any one memory that stands out for you because of the fear associated with it?

JWL: Absolutely. I had been trading for about a year or so and I was daytrading the old NYSE stock index contract on a five-minute chart. I was talking to the broker placing a stop order and I literally dropped the phone on the floor and did not know what to do when the market fell like a rocket. It was at about a 30% loss on the account. I realized I had to regroup. I quit trading the five-minute chart for a while. I still remember the overwhelming fear.

I think because I was Bill's daughter and I was working in the trading room, I thought I knew more than I really did and I was cocky. That was my most memorable point of fear, and it was a humbling experience. The importance of a risk-reward ratio is what became apparent to me that day. I was trying to trade a \$10,000 account in a market that could move \$2,000 in minutes! That experience taught me a lot about myself and what I could tolerate as my pain level.

After that trade I went on to double that account that year in markets I was more comfortable in, and better suited for my personality.

Do you still trade intraday?

JWL: Every now and then. I've been trading for more than 13 years now. I think when you've been looking at charts that long you develop a bit of intuition.

I don't know why I know, but I do, and typically it's crude oil or the Dow Jones on a 10- or 15-minute chart. I still do like the indexes. I don't trade intraday on a daily basis. Typically, we see much greater profits from position trading on the daily charts.

Will either one of you occasionally pass on a signal given by your methodology?

BW: Yes. I think both of us will from time to time. There's a certain aspect of our methodology that doesn't lend itself to figures. On some of the trades, we want to see how much the market is moving against the trend. And sometimes there is an angulation between where we think the market should be and where the market is really going. Those are little judgment calls that come with experience, but our entries into the market and exits are very specific.

JWL: That's true. There are times where I will pass on a trade, typically based on Elliott waves. If I see a market going into a correction or heavy congestion and if I've exited a nice trend move, I will definitely pass on trades going the other way. I think it's interesting that humans are the only animal that will sense fear and walk right into it. Every other animal uses their sense of intuition for survival, and I like to think I can incorporate that into my trading and help others to do that as well.

Trading can stir up some of the most primal feelings we have when under pressure or in a losing position. Being able to avoid those situations can be very profitable both mentally and financially.

What's the first thing your eye is drawn to on a chart?

JWL: The Alligator, the price bars. I'm looking for a chart that is aesthetically pleasing. The Alligator and the price bars tell me instantly what type of market we are looking at. I look at a combination of these things.

So you follow the Elliott wave?

BW: Yes, I look at the Elliott wave. I don't put in a trade based exclusively on the Elliott wave. For my trading there are two ways to get in and two ways to add on and two ways to get out, and that's basically it. But choosing whether to do that trade will depend on what Justine was saying as to where we are in the Elliott wave and where you've been and what your comfort level of that chart is.

JWL: Bill is trading stocks, whereas I've been trading commodities, which is a little different because of the volatility. It definitely helps if you understand the type of market you are trading. If you are trading aggressively into a correction, we all know how that typically ends up: disastrous. If you know you are in a trending market, you have the opportunity to trade more aggressively and take advantage of the move.

Understanding the basic patterns of the Elliott waves can keep you from trading corrections; 85% of losses occur in corrections, so learning to avoid them can cut out a great deal of pain.

Do you follow trendlines and Fibonacci measurements?

BW: No. We use the alligator. Essentially, the Alligator is our trendline. It tells us what the market is doing at the moment and what it's doing on a higher time frame of about three to five times the length of the timeline. So if Justine is trading the 10-minute chart, the alligator will tell her what the market's doing on the hourly chart and the daily chart without looking at those charts. It's telling you where the market would be without any new incoming information. And it's new information that moves the market.

Thank you, Bill and Justine.

John "Jay" Norris is the senior market strategist at Brewer Futures Group. Norris has more than 25 years' experience in the futures industry, having started on the trading floor of the Chicago Board of Trade and held analyst positions before switching to the brokerage side of the business. He may be contacted at 800 971-2154 or jnorris@brewerinvestmentgroup.com.

SUGGESTED READING

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