Roger Scott is a veteran of the financial markets with over 20 years of experience trading Stocks, Options and Futures. Roger started trading while attending law school and eventually decided that trading was his true passion in life.

After earning his law degree, he opened a brokerage firm and within a few short years started two successful multimillion dollar hedge funds. Roger has extensive experience back testing trading methodologies and money management principles.

He trades different styles including: day trading, swing trading and long term trend methods.

Because of his extensive real world trading experience, both as a broker as well as a professional fund manager, Roger had the privilege to handle multimillion dollar trading positions for some of the largest institutional traders in the world and for his own personal portfolio.

For over 8 years, as the head of trading education at Market Geeks, Roger has helped traders achieve their trading objectives and goals, by providing world class trading education to students from all over the globe.

Roger frequently appears on financial news networks and has the natural ability to simplify complicated trading jargon into simple to understand concepts. He has a passion for teaching others and loves to share his expertise with others.
Interviewer: Roger, can you please tell me what your background and how did you get started trading?

Roger Scott: I started trading when one of my closest friends began trading. I started looking over his shoulder and got bit by the trading bug. Ironically, I was only a few months away from starting law school, which I graduated with honors, but knew immediately after starting trading that I wanted to be a professional trader. Later I became a broker and managed two multimillion dollar hedge funds and till this day I never practiced law.

Interviewer: You trade equities and options. Tell me a little about what's unique to each market and why you like trading them.

Roger Scott: Equities give you the flexibility to diversify your risk by trading different sectors; also the liquidity that you get with equities makes them very attractive for swing trading and day trading. I can always find sectors that are outperforming the market or underperforming the market if I want to take short positions and if I’m day trading I can focus on the indexes as well. So I get lots of flexibility with equities and in recent years, since ETF’s exploded in popularity, I can even use ETF’s to take advantage of the currency market or the commodity market without having to go to a commodity broker, which is really great. My interest in options is a result of my analytical nature. Options give you unparalleled flexibility and allow me to put any type of position or spread to take advantage of the current market conditions. Furthermore, options are terrific assets for income strategies which are one of my favorite trading techniques for bringing in consistent income into the account and offset some of my directional risk.

Interviewer: What style of trader do you consider yourself?

Roger Scott: I originally started off as a swing trader and then expanded into both day trading and position trading. Because I was a broker for many years and a fund manager I had to be very flexible in my trading approach, because I was advising other traders, but my favorite trading style is swing trading, holding positions from anywhere from a few days to a few weeks.

Interviewer: This may be redundant, but what’s distinctive about how you trade and what makes you successful at it? That's probably part and parcel of the question you just answered.

Roger Scott: There are a few things that separate me from most traders; I developed a very analytical back testing approach from a very early time in my trading career. Therefore anytime I use a specific strategy, I always know the numbers behind that technique. For example, I know how often 90 day breakouts fail and how often they succeed, over the long run, so my trading is discretionary, but it’s based on almost 20 years of computer back testing and analysis, so I know the odds of every type of position I initiate and liquidate at any given time. So you can say I back tested all the theory to see what really works and what looks good on paper but doesn’t make money in the long run and I apply this approach to my trading. So unlike many
traders, I always use statistics to help me determine the edge that exists at any given time, this makes me more confident in my trading and as a result I’ve become a very consistent trader over the years. Because when positions go against me, I don’t use emotions, I use mathematical probabilities to dictate my decisions, instead of emotions, which is the quickest way to lose money in the markets, by relying on your emotions.

Interviewer: Do global events effect your trading, and if so how?

Roger Scott: Global events cause increase in unpredictability and volatility to the U.S. equities market, so I’m very much aware of outside events or global events that may cause undue influence to my positions. I have a rule that if something is occurring in the world and it’s causing major volatility to the U.S. markets, I cut my position size or liquidate my positions and reinitiate when volatility is back to normal. I don’t hold positions during periods of unforeseeable periods, because the markets become less predictable and more emotional and this is the time you want to avoid trading the most.

Interviewer: How do you protect your portfolio?

Roger Scott: How I protect my portfolio depends on what assets I’m trading and the time frame I’m using. Sometimes I minimize my risk by hedging my directional position with options, many traders overlook using options instead of stop loss orders and that’s unfortunate, because options are some of the best protection tools you can use in trading. Other times if my holding period is only a few days, I will use volatility stops that are created by using filters such as ATR which stands for Average True Range, this filter does a good job of measuring volatility and gives me a strategic place to initiate my stop loss orders.

Interviewer: Let’s talk a little bit about volatility. What do you like about trading volatility?

Roger Scott: Volatility is one of the most overlooked parts of trading for beginners and one of the most important factors for professional traders. Volatility tells me how much fear is present at any given time in the market, in addition, volatility plays a vital role in position sizing, because if for example the daily range is 2 dollars and my position consists of 1000 shares, and the daily range increases to 3 dollars, well my position just got 1/3 more riskier and I have to take that into account, so yes I use volatility to determine how big of a positions I should initiate, and as we discussed a minute ago I also use volatility to determine my stop loss levels and differentiate random market noise from actual market movement, which is crucial when you are swing trading.

Interviewer: What’s tricky about trading volatility, and how do you specifically use it to profit?

Roger Scott: If I’m trading options for example, I make sure to initiate only directional positions if volatility is low and if volatility increases, I switch to selling premium or use neutral strategies, because when volatility is high, options premium is inflated and that’s the
best time to initiate income strategies and spreads. If I’m trading stocks or stock index products, I measure volatility to help me determine my profit target levels, my stop loss levels as well as how big or small my position size will be. I use volatility more than the average trader because I trade multiple markets sometimes and I need to make sure that my exposure is equal between different asset classes, so the main function of using volatility is for position equalization and that’s something you need to know if you are a money manager or trade different assets as I do.

Interviewer: What kind of money management techniques do you use?

Roger Scott: The type of money management method I use depends on the strategy I’m using, but overall I prefer a fixed percent risk method, which basically uses a fixed percentage of my account size to determine position size so if my account is 100k for example, and my fixed risk is 2%, I would make sure that my risk per trade is no more than $2,000. There are other more advanced methods that I use, however one thing all the methods have in common is they are all based on Anti-Martingale principles, meaning when I’m winning I increase risk and when I’m losing I decrease risk, I never double down or average losers, that’s one thing in common most professional traders have.

Interviewer: How important to training is psychology and can you give me an example of an instance where your lack of control of your own psychology lost you money?

Roger Scott: Psychology is by far the most important factor that determines whether or not a trader will succeed or fail, in the long run. I had a hard time in the beginning with trading psychology because I erroneously believed that when my trades ended up being losers, I was somehow to blame or it was somehow my fault and I used to take it pretty hard, once I got over that and realized that losing is part of the game and knowing how to take a loss is much more important than just about any other factor involved in trading, if I can give one piece of advice to beginners, it would be not to take losers personally, they are not a reflection of who you are, as long as your following correct trading principles, losers are absolutely normal and expected part of trading.

Interviewer: What’s your biggest success trading?

Roger Scott: My biggest success as a trader came from now making more money, but from becoming consistent over time. To me money is a byproduct of trading, so as long as I follow my routine and consistently follow my rules, I know that I will be a consistent winner and that’s the most important part to trading, building the self-confidence to know that you can consistently make money trading.

Interviewer: What’s the best lesson you’ve learned as a trader?

Roger Scott: The best and the most important lesson I’ve ever learned is NOT to think that I can outsmart the market. The market is always right and I have to keep that in the back of my mind at all times. Once you start thinking that you know where the market is
going to go next you develop a vested interest in the outcome of that event, in my case, I simply follow my rules and know firmly that this is a probability game and as long as I play the game correctly I will end up winning.

Interviewer: What do you think is the number one reason why traders fail?

Roger Scott: There are many reasons, but they are all tied to psychology. The biggest reason is fear and greed, the emotions that trigger bad decisions. Once the trader completely integrates into his mind that trading is a probability game and stops taking everything that happens so personally, only then does the trader begin to gain confidence and begins to give up the I have to be right on every trade mentality, which is the biggest cause of losers.

Interviewer: What made you decide to become an educator?

Roger Scott: I always enjoyed teaching others; I actually tutored one of the first blind people who passed the California Bar exam. So it always came natural for me, but the biggest factor was the fact that I wanted to actually enjoy my life and spend more time with my family. I live in California, so I would have to wake up at 4:30 every day when I had my brokerage firm and my life all work and no fun. Now I get to spend time with my family and enjoy all the benefits of trading. It got to a point where I was getting close to burning out, so I decided to make a transition and 8 years later, I can say it was the best decision I’ve ever made.

Interviewer: What is one piece of advice you would give to a novice trader just starting out?

Roger Scott: Don’t worry about all the fancy indicators and the complex analysis techniques, stick to the basics and work on building confidence in your trading. Once you master the psychology part, the rest is not difficult at all. Remember, trading is a mind game and you have to think of it that way.

Interviewer: What about for an experienced trader? What kind of advice would you give them?

Roger Scott: Many professional traders are great at picking market direction, but there’s tons of different bet sizing techniques that are available that can increase profit potential tremendously. I recommend that pro traders focus on money management or bet sizing principles more, they can really make a huge impact on your bottom line.

Interviewer: What’s next on the horizon?

Roger Scott: To continue learning every day and helping other traders achieve their passion in life.