Novice to young, savvy trader

ICHOLAS Yap is not your average student-investor. Since he started trading two years ago, the 21-year-old Singapore Management University (SMU) business undergraduate has come a long way.

Travelling overseas to attend technical analysis seminars and furiously researching for the past two years, Mr Yap has developed from a novice into a disciplined and experienced trader.

The young trader has read more than 40 investment books over the past two years, and is still hungry for more information. "Reading has always been an on-going process for me to improve my trading strategy," he said. "Learning is a life-long process."

Spending almost a year planning and strategising his trading techniques, Mr Yap tried out his strategies on paper before taking the plunge. "I do not believe in trading without first trying out my strategy as it is too risky," he says. "Paper trading gave me the opportunity to discover the shortcomings of my initial strategy and to improve on it."

Mr Yap, who trades mainly in US options and equities, feels that even though most of his peers are interested in acquiring financial literacy, they simply do not put in enough effort into researching and acquiring their own information.

"Most of them do not realise the immense effort being put in during the research stage and lose heart in the end," he says. "The hunger for financial literacy is there but they have to be prepared for the hard work too."

Fortunately, Mr Yap is not alone. He is a member of the SMU E.Y.e. Investment Club and has met like-minded individuals there.

"Spending long hours researching used to be quite a lonely process, but now that I have met my club mates who are equally dedicated it has spurred me on to put in even longer hours so that I have more information to share," he said.

In fact, Mr Yap gives presentations to his club mates to share his knowledge about the more advanced techniques of options trading that he has picked up from seminars he has attended.

Mr Yap, who is also in the Research Department of his club, says: "We are always looking to exchange the latest market research and investment knowledge, which allows me to learn more about the other companies that I have not researched on."

Recently, the young trader flew to Hong Kong to attend a series of advanced seminars on the mechanics of options.

Indeed trading is no child’s play for this savvy young trader. Trading almost every day, he monitors the US market late at night and executes his trades whenever the stock price has reached his entry price.

His main strategy of trading during non-directional movement of the stock has brought him the most consistent returns. "Collecting the premium as a net seller of options, I have reaped the most returns when the market is trading sideways," he says.

Speaking to the Business Times, Mr Yap revealed part of his trading strategy. "At any point in time, I ensure that I only have a maximum of eight stocks in my portfolio so that it is not too diversified," he said. "I follow my strategy closely and only exit at my cut loss price. I learnt this lesson earlier on during a trade where I was undisciplined in following my strategy. I cut my loss too early while trading Genentech, a US biotech firm which rebounded shortly after I had sold and the stock has gained 1,300 per cent ever since."

It was a painful lesson indeed, and Mr Yap has become more disciplined as he gains more trading experience. "Nowadays, I stick closely to my strategy and incorporate broad macroeconomics information into my trading decisions," he says.

Mr Yap also hopes to change the stereotypical view of traders being uninteresting and inactive. "Most people have the misconception that all traders do is sit in front of the computer all day," he says. "Actually love the outdoors, especially running as it allows me to take a breather from all the school work and trading." The avid runner also works out frequently and takes part in biathlons on a regular basis.

Prior to entering college, Mr Yap was working at the Singapore Exchange as an intern. He hopes to work in the financial industry when he graduates, preferably as a fund manager for experience.

His ultimate goal, however, is to become a private investor. "I aim to be financially free by 35 and live on the passive income that my investments generate," he says.