



Trader Profile

BY STEVE ZWICK

Klaus Gagel: Cloud scalper

As long as he can remember, German futures trader Klaus Gagel has been gazing at the stars — or, more accurately, at the clouds. “The weather always fascinated me,” he says. “I remember thinking of this real-time uncertainty all around us, and knowing that some people were able to tell what was going to happen next, with varying degrees of certainty.” That fascination (and a way with numbers) enabled the Wiesbaden native — who turns 40 on Dec. 15 — to earn a meteorology degree in 1988. Then he embarked on a 10-year career as a forecaster for the German Weather Service.

Even then, however, he’d found other clouds to crack. “Both my brother and father were into stocks, but I couldn’t be bothered,” he recalls. “Then, while talking to my brother, I realized there was nothing even close to the first law of thermodynamics in the markets — nothing even remotely resembling determinism — but there did seem to be order.”

Intrigued, he started buying shares in 1986. Later, when German television station Sat 1 launched the half-hour daily *Telebörse*, one of the first German market shows, he became a devoted viewer. In 1989, he subscribed to *Handelsblatt*, a leading financial newspaper in Germany. Today, he’s an institution among German retail traders and runs one of the nation’s best-known futures trading sites: www.gagel.de, which offers a hodgepodge of news, advice and chat rooms.

Although launched in April 2000, the site began to germinate in 1990, after the Frankfurt Stock Exchange launched the Deutsche Terminbörse, or DTB — the fully electronic, screen-based German Futures Exchange (today’s Eurex). Gagel opened a discount account through Dresdner Bank, which charged DM 120 (\$60) per round-turn for Dax stock index futures. He says he felt at one with the markets nearly from the beginning.

“Of course, that feeling can be deceptive,” he says. “You can feel like you know everything and still lose money.” And he did — in 1992, he lost almost two-thirds of his risk capital — but he kept trading. “I bought all the books — *Market Wizards*, *Options as a Strategic Investment*, stuff like that, but I was really focused on the markets themselves.”

He says a certain naïveté about the economic world at large enabled him to tune in to the markets on their own terms. “When you learn too much about economics, there’s a tendency to think you know more than the markets do,” he says. “The



markets are a strict teacher.” Despite his scientific background, Gagel developed a highly intuitive approach to trading — one similar to that of most floor traders: “I look for indicative patterns, based on what I’ve learned through trial and error,” he says.

That means he doesn’t get hung up on whether a chart formation is a descending pennant or the lip of some half-formed saucer. When Joe Ross’ common-sense trading books were translated into German, Gagel devoured them. “Reading those books mostly confirmed what I already knew,” he says. “One thing I did learn was to look for 1-2-3 formations, which was something I hadn’t noticed on my own.”

He says currencies are “both the slowest and the fastest of the three primary markets [currencies, interest rates, stock indexes]. Sometimes they’ll drag while the others are drifting, and

then they’ll snap. The mistake I tend to make in those situations is to get impatient and then get out just before the move.”

He didn’t make that mistake the day we spoke with him (Nov. 3), but he did use the opportunity to illustrate his point. “The signs of a higher dollar were there all day,” he says. “Then the ISM [Institute for Supply Management] number [for new U.S. factory orders] came out and the dollar took off. The fundamentals were just confirming what the market already knew.”

Unfortunately, his positions were relatively small — by design. “We’d had a week or so of low volatility, and that’s when you can end up building big positions and then getting whacked when the market takes off the wrong way,” he says. “Or you just get whipsawed — as we say in German: *Hin und her macht Taschen leer* [back and forth makes wallets empty].”

His money-management strategy is equally free-wheeling: “Basically, I ratchet up the leverage for intra-day trades, and ratchet it down for overnight trades.”

Soon after getting rolling with the Dax, he was trading bunds, bobs, and the dollar. In 1993, he opened an account with LIT in Chicago for trading S&Ps, T-bonds, T-bills and IMM currencies. In 1998, he became a full-time trader. “My wife gave me complete support,” he says. “She still gives me strength when the markets are beating me up — and without her backing, I don’t think I’d go on.”

Today, he trades on Refco Direct, which is built on Patsystems’ interface. Every morning before trading, he checks the weather reports around the world — just for fun.

PHOTO BY PETER SEEWAYER

FREE



- FREE 2004 Futures Reference Calendars
- FREE Reference Guides
- FREE 22 Trading Tips CD-ROM
- FREE Educational Materials
- FREE Daily Research
- FREE Educational Seminars Online
- FREE 1 Year Subscription to Traders Source Magazine



Alaron

Futures and Options. Forex. Cash Metals. Education. Institutional. Introducing Brokers.

Alaron is a Clearing Member of the Chicago Mercantile Exchange, the Chicago Board of Trade and OneChicago; and a Member Firm of NQLX and Merchants' Exchange. There is a substantial risk of loss in trading futures and options.

1.800.375.0029 • www.alaron.com



The
Fast

Simple
reliable
way to trade

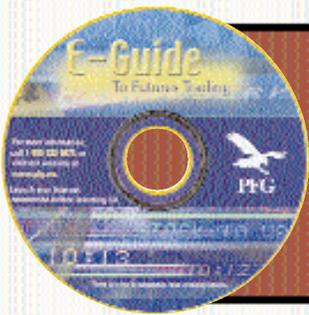
fast. Whoever thinks that, 'Slow and steady wins the race,' obviously is not an online trader! Speed is one of the most important elements for anyone trading online. BEST Direct's split-second fills are the result of its 21st century technology, and savvy traders reap the rewards of it every day.

simple. The 'point-and-click' mentality couldn't be simpler, and neither could BEST Direct. Built on the credo of 'simple is best,' BEST Direct runs entirely through the utilization of the point-and-click, all-in-one trade ticket screen. Everything you need to know to place a trade – from your current P/L status, available margin, quotes, open and working positions and more – is available on one ticket. We've made it simple to choose your contract, select the buy or sell price and click to place your trade. Anything else couldn't be considered BEST Direct, could it?

reliable. If speed and ease are important to BEST Direct traders, the reliability of this trading system is its cornerstone. Critical analysis of trader's needs – coupled with technological genius – has elevated BEST Direct to be relied upon by a cross-section of traders: professional traders, day traders, CTAs, system traders. The client list goes on: and for good reason. The build-in risk management system, quotes, charts, lightning-speed transmission and ease of use make BEST Direct a reliable component to any trader's program.



www.pfgbest.com



Get off to a Great Start and Stay on Track with
FREE E-GUIDE
to Futures Trading

The ABC's and XYZ's of futures trading
in this simple, self-directed course www.pfgbest.com

190 S. LaSalle St., 7th Floor • 800.333.5673 • 312.775.3000

There is a risk of loss in trading futures.