

Interview with J. Welles Wilder: Technical Trading Legend – October 2009



Photo courtesy of Mrs Dawn Wilder

Introduction

It is not often you find a legend living in your back yard. Especially if you live in a small town by the sea on the East Coast of New Zealand! But technical trading legend J Welles Wilder lives about a mile from my house and we have at least two mutual friends.

Welles Wilder was described in 1980 by Forbes Magazine as "..the premier technical trader publishing his work today."

Barron's (July 1984) noted: "In 1978, the basis of mathematical analysis was expanded when J. Welles Wilder, Jr. published "New Concepts in Technical Trading Systems"."

Financial World (July 1985) said: "Over the years, Wilder has developed more accurate commodity trading systems and concepts than any other expert."

And in Technical Analysis of Stocks and Commodities (February 1986): "It's not often that truly original discoveries are made in technical market analysis. J. Welles Wilder, however, lays claim to an entire collection of systems that have reshaped contemporary commodities trading and analysis"

More recently in The Trader's Journal (May 2005): "Around the world there are probably more traders using Mr Wilder's systems and methods than any other discipline."

I met with Welles Wilder in September and October 2009 at his home. He is in his 70s and by his own admission doesn't remember things as well as he used to. The interview was not a hurried affair, and I did not feel I was able to ask detailed technical questions. However I found Welles Wilder and his wife to be warm, friendly and generous. I felt it was a privilege to meet with him. I was more than delighted when he gave me a signed copy of his excellent book "New Concepts in Technical Trading Systems".

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The Interview

Part 1: Trading Related Questions

OH: You are probably best known for inventing the Relative Strength Index (RSI), Average Directional Index (ADX) and Average True Range (ATR). Which of these is the most powerful tool for a trader?

WW: The ADX.

OH: Is it the indicator you are most proud of?

WW: I guess so.

OH: The Failure Swing Point is an important feature of the RSI. However it seems to be used very little. How powerful is it?

WW: It's powerful. I don't know why it is not more used. It could be people don't understand it very well.

OH: What has changed in the markets since you started?

WW: Not much!

OH: How did you self publish your book New Concepts in Technical Trading Systems?

WW: I used to be the best copy writer in the industry. I also put small ads in magazines. I also rented a list of people and did one big mail-out.

Mrs Wilder chips in: "He sent a chapter to Futures Magazine and they published the chapter, so there were orders stacked up even before we had the book printed."

OH: Back in 1978 \$65 was a huge amount of money for a book. How did you go about selling it for so much?

WW: I thought big! Back then most books sold for \$5 or \$10 at the most.

OH: How many years of work went into the book?

WW: I was broke and I had to figure something out! I wrote the book in six months, including the research.

OH: Do you mind me asking how it was that you were broke?

WW: After 10 years of trading (and living) I was broke.

Mrs Wilder chips in: “What he means is he lost quite a lot of money trading!”

OH: Once again if you don't mind me asking, how much money did you start with?

WW: Two partners and I built 1,035 apartments in the 1960s. My two partners bought me out before they were all completed. After I sold my third to them I had about \$100,000. That was in 1968. [US\$100,000 in 1968 dollars would be worth around US\$630,000 in 2009 dollars.]

OH: Was the book then taken up by a publisher?

WW: No it has never been published by anyone but me. Incidentally the book sold over 3,000 copies last month (August 2009) alone.

[Note that the book was first published in 1978 and has not been changed or updated since then. It still sells for exactly the same price it did in 1978 – US\$65. This represents a self publishing phenomenon, over 36,000 books sold per year for a book written over 30 years ago.]

OH: Can you make any general recommendations on trading today?

WW: If I was to give advice on making money right now I would advise only trading gold and silver and gold and silver miners from the long side. I expect gold to be at US\$5,000 an ounce in two years time. Before then, my charting system suggests that we will see an intermediate high in gold around February 10, 2010.

US\$5,000 might be slightly ambitious but it could be in that ballpark.

[On both occasions I visited Welles Wilder he showed me his current stock portfolio and his P&L. As he recommended, every one of his 16 holdings was either a gold or silver related instrument. On my first visit 15 of the 16 showed a profit. On my second visit all 16 were profitable.]

OH: Why are you so bullish on gold?

WW: Big banks and central banks have been selling gold, keeping a lid on the price. But Hedge Funds are now jumping in because it is one of the few ways they can preserve the value of their funds. I think the buying power of the Hedge Funds will eclipse the selling power of the banks.

[Interestingly this comment was made a few weeks before Bloomberg.com reported Paul Tudor Jones writing to his investors in October 2009: “I have never been a gold bug. It is just an asset that, like everything else in life, has its time and place. And now is that time.”

This comment was also made a few weeks before India purchased 200 tons of gold from the IMF, also in October 2009.]

OH: What have you found to be the most robust technical analysis tools over time?

WW: Let me just say, the simpler the better!

What I prefer to see now is a stock or a commodity that has put in a base and has just started rising out of that base. I pretty much look at the charts.

OH: Is that because you have decades of experience and you can now see the technical information you need just from looking at a chart.

WW: Yes that is correct.

OH: If you were 44 years old (the age of the interviewer) and a full time technical trader, what would you do?

WW: The same thing I am doing now! Just like I said before about reading charts.

Part 2: Lifestyle Questions

OH: What is the most important lesson you have learned in life?

WW: Discipline.

OH: What advice would you give yourself if you could talk to yourself at age 17?

WW: Get a College education in an area you are interested in. Then look to create your own job in that area.

Also, treat others the way you expect them to treat you.

OH: How can a young person today achieve great things?

WW: By doing something the world doesn't have but that it needs.

OH: What wise words have been important to you in your life?

WW: Don't bite off more than you can chew!

OH: What is the best advice you have ever received?

WW: To go to College.

OH: What mistake have you learned the most from?

WW: Not knowing how to handle money. You learn by making mistakes.

OH: What activity has been the biggest waste of time in your life?

WW: I've always been a workaholic at least until I was in my early 70s. I had no time for time wasting!

OH: What are the reasons you have succeeded in technical analysis and trading while many others who have tried have not succeeded?

WW: Tenacity and flexibility!

But when you find something that works, use it! Don't keep looking for something else.

OH: If a score of 10 means that you have lived your life to its fullest potential, what score out of 10 would you give yourself on your life to date?

WW: Nine.

OH: What would you have had to do differently to be able to score a 10?

WW: I don't know!

OH: Why did you leave the US and move to New Zealand in the 1980s?

WW: 25 years ago I had the insight to know that the US was drowning in debt. I thought: "What is the best country in the world?" It has to be a small country with a democracy. It has to be neutral and have no enemies. New Zealand has been a wonderful place to live!

All of Welles Wilder's books can be purchased from his US Office by visiting:

www.deltasociety.com

You can pre-order Oli Hille's book "Creating the Perfect Lifestyle" by visiting:

www.author.co.nz

All interviews will be included in the book.