

MANAGEMENT & ACCOUNTING REVIEW

Volume 17 No. 3
December 2018

CONTENTS

- 1 Financial Strain, Financial Management Practices, Marital Satisfaction and Marital Stability among Newlyweds
Joki Perdani Sawai, Rumaya Juhari, Rojanah Kahar, Zanariah Ismail and Rezki Perdani Sawai
- 17 Internal Audit Effectiveness in Zakat Institutions from the Perspective of the Auditee
Noraini, Shamsuddin, Ju Anizai Zaini, Nazifah Mustaffha and Norhanizah, Joharia
- 37 Source Waste Separation Behavior among Shah Alam Households
Carol Boon Chui Teo, Azra Syakira Binti Abdul Karim, Nur Afieqah Binti Mamud and Wan Norhanis Hanini Wan Abdul Hamid
- 53 Welfare Incentives and Socio-Demographic Determinants of Self-Rated Well-Being in Malaysia
Ahmad Izzam Mohd Fimi, Rohana Kamaruddin
- 67 Openness to Experience - A Moderator between Social Commerce Success Factors and Customer Satisfaction Relationship: Facebook Brand Page Platform
Ariff Md. Ab. Malik, Hanitahaiza Hairuddin and Nurfaznim Shuib
- 81 Firm's Readiness for Internationalization
Herwina Rosnan, Nuraisyah Chua Abdullah, Norzayana Yusof and Muhammad Syukri Abdullah
- 95 Entertainment Gratification, Informative Gratification, Web Irritation and Self-Efficacy as Motivational Factors to Online Shopping Intention
Norol Hamiza Zamzuri, Erne Suzila Kassim, Melissa Shahrom, Norshima Humaidi and Nurzahidah Zakaria
- 109 Characteristics and Strategies of a Consistently Profitable Proprietary Day Trader at Bursa Malaysia
Saw Imm Song, Ei Yet Chu and Tian So Lai
- 131 Effects of Organisational Structure on Social Value: Mediating Role of Financial Performance
Nur Aima Shafie, Zuraidah Mohd Sanusi, Razana Juhaida Johari, Wiwik Utami^c and Aziatul Waznah Ghazali

Characteristics and Strategies of a Consistently Profitable Proprietary Day Trader at Bursa Malaysia

Saw Imm Song^a, Ei Yet Chu^b and Tian So Lai^c

^aUniversiti Teknologi MARA, Malaysia

^bUniversiti Sains Malaysia, Malaysia

^cUniversiti Utara Malaysia, Malaysia

ABSTRACT

Proprietary day trading is relatively new in Malaysia. This study looks into the background characteristics, strategies, and behaviour of an above average proprietary trader and factors that determine her success. Recent literature in the developed markets found that a majority of day traders fail in the first year of trading. Few studies have looked into the winning characteristics and strategies of traders. Contrary to the findings on failed traders, who trade actively, speculatively, and to their detriment, this case study found that a successful trader on the other hand is highly attentive and disciplined. On average the trader had executed approximately 20 counters per day for about 100 transactions. More than 50% of the roundtrip transactions were completed within half an hour and 70% were completed within 2 hours. The trader was most active in the morning for buy transactions and the majority of the roundtrips were completed in the afternoon. The trader usually holds large positions only for shorter periods to minimise huge losses and the disposition effect. It is evident that the trader employs scalping strategies that she profits from in a very short run and small movement of prices rather than employing fundamental analysis which requires a longer-term investment horizon. If the trader made profits in the morning, the likelihood is the trader will be more aggressive in the afternoon trades. The regression results reveal that factors that significantly explain the profitability of the trader were the transaction values and the time of entering the trades. Market sentiment and duration of holding time do not significantly explain the profitability made by the trader. It shows that

in a bullish market, the trader tends to trade more transactions; however, that does not contribute significantly to the profits made.

Keywords: *Trader; Bursa Malaysia*

ARTICLE INFO

Article History:

Received: 17 April 2018

Accepted: 27 June 2018

Available online: 31 December 2018

INTRODUCTION

Proprietary (or prop) trading is essentially a high-risk form of business involving trading of shares using the company or own capital instead of acting on clients' orders and receiving commission payments. Day trading is a form of proprietary trading that seeks to maximize trading profits by buying and selling of securities on the same day. All positions are usually closed at the end of the trading day to minimize risk. Day traders usually employ short-term trading strategies to capitalize on small price movements in liquid and volatile stocks. As such day traders provide liquidity and efficiency in the market place because of their high frequency of trading and fast reaction to the news announced.

There are two categories of proprietary traders (PTs) licensed by the Securities Commission to trade on securities listed on Bursa Malaysia, namely the Investment Account (IVT) traders and the Proprietary Day Traders (PDT). Bursa Malaysia Securities Berhad (Bursa) allows Participant Organization (PO) or the brokerage houses to provide each of its Directors, paid Dealer's Representative or teams of paid Dealer's Representatives an Investment Account (Bursa Malaysia, 2017). The PDT is a special account introduced by Bursa Malaysia to allow the Dealer's Representative (DR) of a PO to participate as a proprietary day trader with special incentives and features attached, e.g. short selling (Securities Commission, 2006). These accounts are treated as PO own proprietary accounts for taking positions in securities.

They are privileges granted to PTs as the traders do not have to pay for a brokerage fee and stamp duty when trading the securities listed on Bursa Malaysia. The costs involved are only a minimum payment of 0.03% for the clearing fee, 6% of Goods and Services Tax on the clearing fees, and 0.0075% of levy for the value of the stocks traded. This gives the opportunities to traders to actively trade shares on Bursa Malaysia with a minimum or negligible cost. The low cost of trading would enable the traders to make a profit even if the stock moves only one price tick for small and medium securities.

Along with the benefits of being provided for the day traders, there are also some restrictions imposed on them such as they must close their short positions within the same day and all purchase positions must be closed within two days of the transaction dates. They are also strictly prohibited from trading for their clients.

The potential for investment banks to tap on this segment for earnings is huge. Likewise, for the individual investors. However, as highlighted by Logue (2014), Wind (2012), and Barber and Odean (2011), 80% of the day traders fail in the first year of trading. Given the increase in the number intraday trading transactions at the Bursa, there is little research examining the trading profits of day traders in Malaysia. What are the characteristics, strategies, and behavior of a successful proprietary trader? Will time affect the trader's trading decision and outcome? Would the morning profit and loss make the trader more aggressive in the afternoon? What are the factors contributing to the profitability of day trading? This study intends to answer the questions raised by studying a selected trader who has been consistently generated profits from trading of securities on Bursa Malaysia. To study the pattern of her trading, we gathered the data from 1 November 2016 to 31 January 2017 from an investment bank in Malaysia, with 768 transactions for 61 days. The data reveal that the trader was most active in the morning for buy transactions and the majority of the roundtrips were completed in the afternoon. More than 50% of the roundtrips were completed within half an hour and 70% completed within 2 hours. If she has made profits in the morning, the likelihood is she will be more aggressive in the afternoon trades. The factors that significantly explain the profitability of the trader were the transaction values and the time of entering to trade. Market sentiment and duration of holding time do not explain the profitability made by the trader.

Section II reviews the related literature on proprietary trading. Section III discusses the methodology and data used for the chosen case. Sections IV analyses the sample characteristics and findings of the study and Section V concludes the article.

LITERATURE REVIEW

Stock traders are market participants, either an individual or firm, who purchases shares in a company with a focus on the market itself rather than the company's fundamentals. A stock trader usually tries to profit from short-term price volatility with trades lasting anywhere from several seconds to several weeks. The stock trader can be classified into a few categories such as day traders, swing traders or long term traders. Different types of traders have different strategies and time horizons in their trading.

Typically, day traders trade very frequently in a day, they can use the same capital in their account to make many trades in a short period of time. Day trading also allows the traders to avoid overnight risk. If the traders hold their position overnight, they will be exposed to major unexpected events while the market is closed. Such dramatic events may be caused by surprise economic, political or social or other factors in the country or globally that will affect the sentiment of the market and the stock prices.

Day trading demands great concentration from the traders. They must watch dozens of quotes on screens and price fluctuations in split seconds and to spot market trends (Pitter & Oberlechner, 2014). The success of day trading depends very much on the experience and skills acquired. It is not a "get-rich-quick" scheme but requires perseverance and a good understanding of market fundamentals which may take many years of experience in trading in the markets. Day traders not only need to do research constantly and keep pace with the pulse of the market to gauge market sentiment, but also to cope with stress.

A trading strategy is a systematic plan designed to achieve a profitable return while minimising the risk. A well thought out and established trading strategy helps the traders to consistently generate profits. It also enables the traders to verify and quantify their trading plan. A good trading plan consists

of stock selection, entry and exit points, and risk management rules. Poor planning and risk management may result in a potentially profitable trade become unprofitable.

One of the most popular strategies among day traders is the scalping method. Scalpers usually hold the trades for a very short period, from seconds to minutes by exploiting the small price fluctuation in a day (Kuepper, 2014). They usually identify typical highs and lows during the day as well as the typical difference between these two prices. Sometimes it is called range trading or channel trading (Logue, 2014). When the price is near to the low point, they will buy and when the price is near to the high point, they will sell. Usually this type of strategy requires very intensive monitoring by the scalpers. Day traders or scalpers close all their positions at the end of the market session every day. Scalper only aims for small level of profits per trade, thus they will look for more liquid stocks. Scalpers like quiet markets that are not prone to sudden price movements, so they can potentially make a profit repeatedly on the observed range of bid/ask prices.

Contrary to the scalper, momentum traders vigorously look for news that will affect the stock prices. They will jump on board to ride on the volume and price momentum and reap the profit once the news is out. They usually know what kind of news would be taken well by the markets and conversely what would be taken poorly and place their orders accordingly.

To be a successful day trader requires skills and experiences. Harris (1993) contended that in the long run skill traders produce better performance than unskilled traders. It may take several months or more to acquire the skills before the traders become profitable (Garvey & Murphy, 2005). Investment firms usually allocate larger amounts of capital to the traders only after they prove themselves with smaller amounts.

Usually investment firms pay the traders salary during the probation period until the traders can produce an income. Some proprietary trading firms do not pay a salary; the traders are paid based on their trading performance. It is a common practice that traders are not the employees of the firm; rather they are contracted by the firm to trade their capital. In return, the traders will receive a percentage of their profits as their pay for their proprietary efforts and risks assumed.

There is no easy way to make money in the stock market. It not only requires discipline and perseverance but also a great deal of research and market knowledge, information processing and the ability to withstand the stress of being a loser at times, among others. Successful traders usually possess good discipline, and good discipline would enforce other successful factors. Locke and Mann (2005) found that there is a positive relationship between discipline and future success. One of the key discipline to successful trading is to stop loss within the set limits (Seow, 2015). The cut loss points are determined at the planning stage and should be executed to prevent the hopeful mentality and limit losses before they become too big to bear. Locke and Mann use trading speed as described in Silber (1984) to measure how quickly trades are offset and interpret it as rational decisions to exit trades once informational advantages dissipate. However, Garvey and Wu (2007) found that on average, traders hold their losing trades significantly longer than their winning trades. They also find that the longer the holding time, the lower the performance which is consistent with the disposition effect (Sherfrin and Statman, 1985).

Another measure of discipline is exposure which is determined by the magnitude of paper losses per contract on trades held. Locke and Mann (2005) argue that disciplined and successful traders were less likely to sit on large paper losses. Consistent with Locke and Mann, Garvey and Wu (2007) found that unsuccessful traders tend to let their losses run longer on larger trading sizes and more unprofitable ones when the trading sizes are larger. This indicates that less successful traders are subject to the disposition effect and hold large losses beyond the rational exit time, affecting their trading outcome.

Garvey, Murphy and Wu (2007) extended the research into examining the risky choices in a sequence of decisions. According to the prospect theory (Kahneman & Tversky, 1979, in Garvey, Murphy, and Wu, 2007), people exhibit risk adverse behaviour when facing possible gains and risk-seeking behaviour when facing possible losses and that losses have a much greater impact than gains of the same absolute magnitude. In addition, the break-even effect predicts that when individuals incur prior losses, they will take more risks (Thaler & Johnson, 1990; Coval and Shumway, 2005).

In terms of the characteristics of traders, Cheng, Lee and Lin (2013) found that there is a gender differential in decision making. Women traders,

compared to their male counterparts exhibit a stronger disposition effect. Similar findings were also found in the age of the traders, mature traders have a stronger disposition effect than the younger ones.

As proprietary day trading activities are relatively new in Malaysia and very few studies have been done in this area, this study looks into the background characteristics, strategies, behaviour of an above average proprietary trader and factors that determine her success.

DATA AND METHODOLOGY

A case study is a description of an actual situation that enables a researcher to closely examine the data within a specific context. Tellis (1997) concurred that by including both quantitative and qualitative data, case study helps explain both the process and outcome of a phenomenon through complete observation, reconstruction and analysis of the cases under investigation.

In this study, an in-depth longitudinal examination of a single case or event is used. The longitudinal examination provides a systematic way of observing the events, collecting data, analysing information, and reporting the results over the period observed. This method can be a practical solution when a big sample population is difficult to obtain. With the approval from an investment bank in Malaysia, we were able to retrieve a selected trader who has consistently generated profits from her intra-day trading. To study the pattern of her trading, we gathered the data from 1 November 2016 to 31 January 2017, with 768 transactions in 61 days.

SAMPLE CHARACTERISTICS AND FINDINGS

A brief background of the trader is shown in Table 1. The selected trader holds a Diploma in Business Administration qualification. Prior to being an IVT, she worked as an assistant dealer at the bank. She was able to generate consistent profits since she joined as an IVT. For 2016, the trader has managed to generate an average profit per month of RM47000, with a maximum of RM83000 per month in November 2016 and a minimum of RM17000 in February 2016.

Table 1: Background of the Case Under Study

Type of Acc.	IVT
Trading Limit (RM'000)	6,000
Jan – Dec 2016	
Average Profit	RM47000/month
Median Profit	RM44000/month
Min Profit	RM17000/month
Max Profit	RM83000/month
Date Joined as IVT	2012
Age	29
Gender	Female
Ethnicity	Chinese
Type of Edu	Business
Previous Work Experience	Assistant Dealer

Table 2 summarises the trading statistics of the trader during the observed period from 1 November 2016 – 31 January 2017. Average profit per day was about RM2274 with the value of transactions of about RM2.14 million per day. The average number of counters traded per day was about 16 and the number of round trips were 44. This means on average the trader had about 88 transactions per day, 15 transactions per hour. It shows how attention and focus was required to be a good trader. On average 2/3 of the counters traded had generated profitable trades. It can be seen that the strategy of the trader was on frequent trading, combined with generally correct market timing decisions that led to sizeable profits at the end of the day. Since the trader was a day trader, there was only a small percentage (about 11%) of the trades held overnight. These overnight transactions were excluded from this study. The majority (75%) of the securities traded were from the KLCI component stocks. These stocks were generally larger capitalisation stocks and had more liquidity and greater price volatility than many other smaller caps or less popular stocks. For a day trader, price volatility is essential for potential profitability.

Table 2: Summary Statistics on Trading, 1 Nov 2016 – 31 Jan 2017

	RM	
	Mean	Median
Net Trading Profit per day (61days)	2274	1970
Total Purchase/day	2143500	1881961
Total Sales/day	2146095	1881128
No of counters traded per day	16	16
No of roundtrip trades per day (excluding overnight position)	44	39

During the period of study, the trading profits obtained were from a period of a rather bearish market. The composite index was at 1672 at the end of Oct and went down to 1619 at the end of November and picked up to 1671 at the end of January. The profits from the trader during the three-month period were at RM83,000, 64,000 and 21000. 57.7% of the trades were executed in a positive or bullish market sentiments where the composite index was in the positive direction compared to previous days' closing prices. The descriptive statistics shows that in a relatively bullish market, the trader was able to generate more profitable trades than a relatively bearish market. On average the trader was able to generate an annualised profit of about 28% of the capital used, which is much higher than the average active individual traders who earned an annual return net of trading costs of 11.4% in the US (Barber and Odean, 2011).

Table 3: Market Sentiment and Profitability

Profitability	Market Sentiment		Total
	Bear	Bull	
Loss	68	68	136
	50.0%	50.0%	100.0%
	20.9%	15.3%	17.7%
Break Even	17	36	53
	32.1%	67.9%	100.0%
	5.2%	8.1%	6.9%
Profit	240	339	579
	41.5%	58.5%	100.0%
	73.8%	76.5%	75.4%
Total	325	443	768
	42.3%	57.7%	100.0%
	100.0%	100.0%	100.0%

Holding Time and Profitability

Figure 1 shows the pareto analysis of the holding time of the trader. About 70% of the transaction were held between 5 minutes to 2 hours. 37.4% of the transactions were held for only less than 15 minutes and about 10.5% were sold immediately, less than 2 minutes after the trader bought the securities (Table 4). Only 25 trades or 3.3% were held for more than 3 hours. This indicates that the trader was profiting from employing scalping strategies from the very short-run movements in prices rather than fundamental analysis.

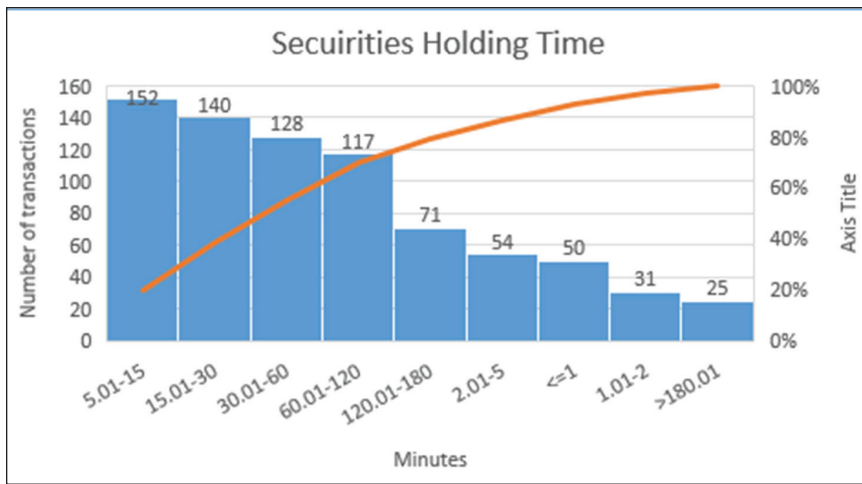


Figure 1: Pareto Analysis of the Holding Time

In terms of distribution of profitability and the holding time, generally, the trader only suffered about 17.7% (136/768) of losses and 6.9% (53/768) breakeven on the trades done. About 75% (579/768) of the trades were profitable. The majority of the loss trades incurred a holding time of 5-30 minutes only. Only 2.9% took more than 3 hours to exit. It shows the decisiveness of the trader to cut loss and make rational decisions to exit trades. This augurs well with the argument that a successful trader possesses good discipline to stop loss within the set limits.

The decisiveness of the trader is also shown on the breakeven trade. Once the trader felt that a mistake was done or there was slim opportunity

to gain from the trade, the trader would exit immediately. Table 4 shows 23% of the trade in the breakeven category had less than 1 minute of holding time. About three quarter of the trades in this category were executed within an hour. Similar to profitable trades, 56% were executed within half an hour and 73% were within 1 hour.

By comparing the loss trades and the profitable trades, it was found that to a certain extent the trader also suffered from disposition effects. This is evident from the cumulative percentage of the disposal for the two categories. The profitable trades were executed slightly faster than the loss trades. As highlighted by Feng and Seasholes (2005) and Seru, Shumway and Stoffman (2010), the disposition effect should dissipate with trading experience.

Table 4: Holding Time and Profitability

Minutes	Loss			Breakeven			Profit		
	No of Trades	%	Cum %	No of Trades	%	Cum %	No of Trades	%	Cum %
<=1	4	3%	3%	12	23%	23%	34	6%	6%
1.01-2	4	3%	6%	2	4%	26%	25	4%	10%
2.01-5	5	4%	10%	4	8%	34%	45	8%	18%
5.01-15	35	26%	35%	8	15%	49%	109	19%	37%
15.01-30	22	16%	51%	9	17%	66%	109	19%	56%
30.01-60	22	16%	68%	4	8%	74%	102	18%	73%
60.01-120	25	18%	86%	7	13%	87%	85	15%	88%
120.01-180	15	11%	97%	5	9%	96%	51	9%	97%
>180.01	4	3%	100%	2	4%	100%	19	3%	100%
Total	136	100%		53	100%		579	100%	

As argued by Locke and Mann (2005) and Garvey and Wu (2007), successful traders do not let their losses run longer on larger trading sizes. As shown in Table 5, the larger the value of securities purchased, the faster the trader would dispose the securities. For those holdings above RM1 million, the holding time was less than an hour. For those range between RM500,000 to RM1,000,000, 78% were disposed in less than an hour.

Table 5: Holding Time and Purchase Value

Holding Time (Min)	Purchase Value												Total	
	<10000		10001-50000		50001-100000		100001-500000		500001-1000000		>1000000		Count	Cum %
	Count	cum %	Count	cum %	Count	cum %	Count	Cum %	Count	cum %	Count	Cum %		
<=1	14	0.141	22	0.08	8	0.054	6	0.028	0	0	0	0	50	0.065
1.01-2	11	0.252	10	0.116	4	0.081	5	0.051	1	0.037	0	0	31	0.105
2.01-5	6	0.313	20	0.189	13	0.169	13	0.111	2	0.111	0	0	54	0.175
5.01-15	28	0.596	59	0.404	22	0.318	37	0.282	5	0.296	1	0.25	152	0.373
15.01-30	16	0.758	47	0.576	27	0.5	39	0.463	9	0.629	2	0.75	140	0.555
30.01-60	14	0.899	36	0.707	28	0.689	45	0.671	4	0.777	1	1	128	0.722
60.01-120	8	0.98	38	0.846	25	0.858	43	0.87	3	0.888	0	1	117	0.874
120.01-180	1	0.99	27	0.945	14	0.953	26	0.99	3	0.999	0	1	71	0.966
>180.01	1	1	15	1	7	1	2	0.999	0	0.999	0	1	25	0.999
	99		274		148		216		27		4		768	

The most active intervals for the trader were between 11:30 – 12pm in the morning and 2:30-3pm after the lunch break in the afternoon. May be this is the time where the markets were more stable which were conducive for scalpers to trade in the targeted range (Table 6). Nevertheless, the trader also actively traded during the first hour and the last hour of the trading sessions as it was the most volatile period and provides the most opportunity (Mitchell, 2017; Garvey & Wu, 2009). Those traded in the late hours would be cleared or forced to clear her open positions at a shorter period. On average the trader purchased 57% for the morning session from 9am to 12:30pm and 43% in the afternoon from 2:30pm to 5pm.

Table 6: Average Purchase Time and Holding Time

Average Purchase Time	Holding Time									Total
	<=1	1.01-2	2.01-5	5.01-15	15.01-30	30.01-60	60.01-120	120.01-180	>180.01	
9:00-9:29	7	5	8	11	16	12	5	6	3	73
	9.6%	6.8%	11.0%	15.1%	21.9%	16.4%	6.8%	8.2%	4.1%	100.0%
9:30-9:59	4	6	0	8	7	5	10	10	5	55
	7.3%	10.9%	.0%	14.5%	12.7%	9.1%	18.2%	18.2%	9.1%	100.0%
10:00-10:29	4	1	1	4	9	11	8	12	7	57
	7.0%	1.8%	1.8%	7.0%	15.8%	19.3%	14.0%	21.1%	12.3%	100.0%
10:30-10:59	1	2	3	8	5	9	10	6	5	49
	2.0%	4.1%	6.1%	16.3%	10.2%	18.4%	20.4%	12.2%	10.2%	100.0%
11:00-11:29	1	1	2	5	8	9	15	10	5	56
	1.8%	1.8%	3.6%	8.9%	14.3%	16.1%	26.8%	17.9%	8.9%	100.0%
11:30-11:59	3	2	4	14	12	20	20	12	0	87
	3.4%	2.3%	4.6%	16.1%	13.8%	23.0%	23.0%	13.8%	.0%	100.0%
12:00-12:29	4	4	8	8	16	12	9	3	0	64
	6.3%	6.3%	12.5%	12.5%	25.0%	18.8%	14.1%	4.7%	.0%	100.0%
2:30-2:59	6	1	6	15	19	13	24	12	0	96
	6.3%	1.0%	6.3%	15.6%	19.8%	13.5%	25.0%	12.5%	.0%	100.0%
3:00-3:29	3	2	1	7	5	10	12	0	0	40
	7.5%	5.0%	2.5%	17.5%	12.5%	25.0%	30.0%	.0%	.0%	100.0%
3:30-3:59	5	3	5	7	12	11	4	0	0	47
	10.6%	6.4%	10.6%	14.9%	25.5%	23.4%	8.5%	.0%	.0%	100.0%

4:00-4:29	5	4	7	19	24	16	0	0	0	75
	6.7%	5.3%	9.3%	25.3%	32.0%	21.3%	.0%	.0%	.0%	100.0%
4:30-4:59	7	0	9	46	7	0	0	0	0	69
	10.1%	.0%	13.0%	66.7%	10.1%	.0%	.0%	.0%	.0%	100.0%
	50	31	54	152	140	128	117	71	25	768
	6.5%	4.0%	7.0%	19.8%	18.2%	16.7%	15.2%	9.2%	3.3%	100.0%

Table 7 shows the distribution of profit and loss according to time of purchase. Most of the loss making trades occurred at the last hour of the afternoon session. It forces the day trader to realise the loss at the end of the day if the trade was not profitable. The trader was able to make most of the profit between 11:30am and 3pm or at the first hour of the morning session.

Table 8 presents the risky choices in a sequence of decisions. We examined whether the outcomes of the decisions in the morning session would affect the buying behaviour in the afternoon. The median of total buy and sell amount in the morning were at around RM26000 and about RM64000 in the afternoon. We divided the afternoon transactions into two categories, one with profitable trades in the morning, and another one with loss trades made in the morning. The result reveals that if the trader made a loss in the morning, the mean and median of the value of the buy and sell transactions in the afternoon were relatively higher than if she made profit in the morning. This is consistent with the findings by Thaler and Johnson (1990) and Coval and Shumway (2005) that if the trader incurred prior losses, they will take more risk in the subsequent session. However, if the trader was able to make profits in the morning, the number of transactions are relatively more compared to if the trader made losses in the morning, albeit with a smaller transaction value.

Table 7: Buying time and Profitability

Average Purchase Time	losing	BE	profit	Total
9:00-9:29	5	2	66	73
	3.70%	3.80%	11.40%	9.50%
9:30-9:59	8	4	43	55
	5.90%	7.50%	7.40%	7.20%
10:00-10:29	13	4	40	57
	9.60%	7.50%	6.90%	7.40%
10:30-10:59	3	3	43	49
	2.20%	5.70%	7.40%	6.40%
11:00-11:29	8	0	48	56
	5.90%	0.00%	8.30%	7.30%
11:30-11:59	9	4	74	87
	6.60%	7.50%	12.80%	11.30%
12:00-12:29	9	1	54	64
	6.60%	1.90%	9.30%	8.30%
2:30-2:59	21	8	67	96
	15.40%	15.10%	11.60%	12.50%
3:00-3:29	9	4	27	40
	6.60%	7.50%	4.70%	5.20%
3:30-3:59	8	6	33	47
	5.90%	11.30%	5.70%	6.10%
4:00-4:29	19	8	48	75
	14.00%	15.10%	8.30%	9.80%
4:30-4:59	24	9	36	69
	17.60%	17.00%	6.20%	9.00%
Total	136	53	579	768
	100.00%	100.00%	100.00%	100.00%

Table 8: Morning Profitability and Afternoons' Behaviour

	Morning			Afternoon			Afternoon Session with Morning Profits (153)			Afternoon Session with Morning Losses (22)		
	Total Buy Amount	Total Sell Amount	Profit & Loss	Total Buy Amount	Total Sell Amount	Profit & Loss	Total Buy Amount	Total Sell Amount	Profit & Loss	Total Buy Amount	Total Sell Amount	Profit & Loss
N	188	188	188	580	580	580	422	422	422	291	291	291
Mean	58781.87	-58998.3	214.9309	137175.64	-137489.2	311.87328	67216.557	-67393.27	185.2382	70278.361	-70376.27	98.9948
Median	26300	-26435	85	64745	-64962	100	35950	-36050	79.5	41200	-41600	38
Std. Deviation	92524.57	92871.57	529.57	216058.39	216562.36	790.66	102429.00	102686.82	456.74	101526.00	101704.83	389.15
Minimum	347	-685610	-1440	230	-2362564	-1532	230	-895402	-1532	230	-895402	-1532
Maximum	682394	-353	3216	2357060	-230	10700	893145	-230	3216	893145	-230	3080
Sum	11050992	-1.1E+07	40407	79561870	-79743724	180886.5	28365387	-28439961	78170.5	20451003	-20479494	28807.5

Regression Results

The regression results in Table 9 shows the factors that determine the profitability of the traders. Four independent variables were identified, namely, Market Sentiment (the value of the dummy variable equals to 1 if KLCI t-day's closing price is higher than KLCI $t_{(-1)}$ day's closing price, otherwise equals to 0), the Buy Value, and the Session of trading (the value of the dummy variable equals to 1 if the trades were executed in the morning sessions, 0 for afternoon session), and Holding duration. The independent variables Buy Value and Session of trading have a significant impact on the dependent variable. The results support the notion that it is more profitable to trade in the morning sessions where the market is more active (Garvey & Murphy, 2005a) and information advantages are mostly reflected in the morning. The significance of trading sizes in explaining the profitability of the trades also indicates the trader's confidence levels and thus the potential for profitability. The positive relationship of market sentiment and negative relationship of holding time on profitability is consistent with the a priori expectations; however, they were not significant at the conventional 5% level. This could be due to the reason that the trader was mainly employing scalping strategies which focuses on small price fluctuations within observed ranges rather than the volatile market sentiment. Overall, the independent variables were able to explain about 37% of the variations in the dependent variable.

Table 9: Regression Results

Independent Variables	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	-43.588	47.380		-.920	.358
Market Sentiment	33.287	42.968	.022	.775	.439
Value of Buy Trade	.002	.000	.596	20.388	.000***
Morning Session	109.834	47.008	.071	2.336	.020**
Holding Time	-.472	.381	-.037	-1.239	.216
Dependent Variable: Profit&loss Adjusted R Square: 0.371 F-Stat: 114.23 N=768					

CONCLUSION

Proprietary trading has gained popularity in Malaysia in recent years. However, as highlighted by many scholars elsewhere in the more developed markets, the majority of day traders failed in the first year of trading. Few studies have looked into the winning characteristics and strategies of the traders. In Malaysia the knowledge in this area is even scanty. This case study makes an important contribution in this regard. The study describes the characteristics and strategies employed by a trader who has consistently generated profits from trading of securities on Bursa Malaysia. Contrary to the findings on failed traders, who traded actively, speculatively, and to their detriment, a successful trader on the other hand is highly attentive and disciplined.

On average almost 100 transactions were executed from approximately 20 counters per day (if it includes overnight transactions). More than 50% of the roundtrips were completed within half an hour and 70% completed within 2 hours. The trader was most active in the morning for buy transactions and the majority of the roundtrips were completed in the afternoon. The trader usually holds large positions for shorter periods to minimise huge losses and the disposition effect. It was evident that the trader profits from very short run movement of prices rather than fundamental analysis. If the

trader made profits in the morning, the likelihood is the trader will be more aggressive in the afternoon trades. The regression results reveal that factors that significantly explain the profitability of the trader were the transaction values and the time of entering to trade. Market sentiment and duration of holding time do not significantly explain the profitability made by the trader. It shows that in a bullish market, the trader tended to trade more; however that does not contribute significantly to the profits made.

REFERENCES

- Barber, B.M. & Odean, T. (2011). *The behavior of individual investors*. Retrieved 10 July from SSRN: <https://ssrn.com/abstract=1872211> or <http://dx.doi.org/10.2139/ssrn.1872211>.
- Bursa Malaysia. (2017). *Securities: Rules of Bursa Malaysia Securities*. Retrieved 10 July, 2017 from <http://www.bursamalaysia.com/market/regulation/rules/bursa-malaysia-rules/securities/rules-of-bursa-malaysia-securities>.
- Cheng, T. Y., Lee, C. I., & Lin, C. H. An examination of the relationship between the disposition effect and gender, age, the traded security, and bull and bear market conditions. *Journal of Empirical Finance*, 21, 195-213.
- Coval, J. D., & Shumway, T. (2005). Do behavioral biases affect prices? *Journal of Finance*, 60(1), 1-34.
- Feng, L., & Seasholes, M. S. (2005). Do Investor Sophistication and Trading Experience Eliminate Behavioral Biases in Financial Markets? *Review of Finance*, 9(3), 305-351.
- Garvey, R. & Murphy, A.. (2005a). The profitability of active stock traders. *Journal of Applied Finance*. 15(2). Retrieved on 10 July from SSRN: <https://ssrn.com/abstract=908615>.
- Garvey, R., & Murphy, A. (2005). Entry, exit and trading profits: A look at the trading strategies of a proprietary trading team. *Journal of Empirical Finance*, 12(5), 629-649.

- Harris, L. (1993). *The winners and losers of the zero-sum game: The origins of trading profits, price efficiency and market liquidity*. Retrieved on 10 July, 2017 from <http://www-rcf.usc.edu/~lharris/ABSTRACT/Zerosum.Htm>.
- Investor behavior. In Baker, H. K. & Ricciardi, V. (Ed.), *The psychology of financial planning and investing* (pp. 459-476). Hoboken, NJ: John Wiley & Sons, Inc.
- Kahneman, D., & Tversky, A. (1979). Prospect theory: An analysis of decision under risk. *Econometrica*, 47(2), 263-291.
- Kuepper, J. (2014). *A trader's guide to Scalping*. Retrieved on 10 July 2017 from <http://traderhq.com/trading-strategies/traders-guide-to-scalping/>.
- Locke, P. R., & Mann, S. (2005). Professional trader discipline and trade disposition. *Journal of Financial Economics*, 76(2), 401-444.
- Logue, A. C. (2014). *Day trading for dummies*. Hoboken, NJ: John Wiley & Sons, Inc.
- Mitchell, C. (2017). *Best time(s) of day to day trade the stock market*. Retrieved 10 July, 2017 from <https://www.thebalance.com/best-time-s-of-day-to-day-trade-the-stock-market-1031361>.
- Pitter, J., & OBERLECHNER, T. (2014). Chapter 25: The psychology of trading and investing
- Seow, C. & Chin, Y. S. (2015). *The systematic trader*. Singapore: Candid Creation Publishing.
- Seru, A., Shumway, T. & Stoffman, N. (2009). Learning By Trading. Retrieve on 23 July 2017 from SSRN: <https://ssrn.com/abstract=891694> or <http://dx.doi.org/10.2139/ssrn.891694>.
- Shefrin, H., & Statman, M. (1985). The disposition to sell winners too early and ride losers too long: Theory and evidence. *Journal of Finance*, 40(3), 777-790.

- Silber, W. L. (1984). marketmaker behavior in an auction market: an analysis of scalpers in futures markets. *The Journal of Finance*, 39(4), 937-953.
- Tellis, W. M. (1997). Introduction to Case Study. *The Qualitative Report*, 3(2), 1-14. Retrieved from <http://nsuworks.nova.edu/tqr/vol3/iss2/4>.
- Thaler, R. H., & Johnson, E. J. (1990). Gambling with the house money and trying to break even: the effects of prior outcomes on risky choice. *Management Science*, 36(6), 643-660.
- Wind, M. A. (2012). *80% of all day traders lose money*. Retrieved 10 July 2017 from <http://cgmalaysia.blogspot.co.uk/2012/06/80-of-all-day-traders-lose-money.html>.

