TRADING PLAN

You can learn a lot about the currency market. You can have a great system for trading but without a good trading plan and the discipline to stick to it, you will NEVER be profitable.

Your trading plan will be a constant reminder of how you will make money trading the currency market. A plan is not required, and if you make a living by trading and do not have a plan you will be a market genius.

Let us give you some good reasons why you should have a trading plan.

Why Do You Need a Trading Plan?

1. A plan will keep you headed in the right direction.

You need to develop consistency in your trading. You should have a routine so you can measure your success as a trader. You may have a sound trading system and always break the rules. If this is the case you will never know how good your system is and how good you are as a trader. Read your plan every day, follow it and you will stay on target with your goals.

2. Successful trading is not just a hobby it is a business and a successful business will have a plan.

I have never known of a successful business that did not start out with a plan. By sticking to the plan they continued to be successful. If they stop following there plan then they will become weak in there industry and fall by the wayside. As your trading business progresses you may alter your trading plan. But you still have a plan.

The difference between the winning traders and the losing traders is a plan. If you have a good plan (developed over time) and you stick to it, you can become successful!

You may have a simple plan or a complex plan but to be successful you need to FOLLOW YOUR PLAN.

Basics For Your Plan

Trading System

The trading system is the foundation of your trading plan. You should test it for at least one month by your Pre Launch Trading and Demo trading.

Include all the important information about your system:

a. Time frames you will use.
b. The entry and exit signals you will use.
c. The maxim percentage you will risk on each trade.
d. How many lots you will trade.
Example: I trade the US market. I trade in the direction of the trend on the 4 hour chart. I trade when I get at least two confirming signals (on the time frame that is easiest to read at the time I am trading). I will always start each trade with only one lot. I will add on to the trade as new signals present themselves. I will exit all positions when my manual trailing stop is hit or when two price bars close below the purple line.

Trading Routine

A trading routine is an important part of your trading plan. It will direct you:

a. When you will analyze the market and plan your trades
b. When you will watch the market to place trades
c. When you will check the market during the day

Example: I will analyze the market each evening when I get home from work and just before I go to bed. I will watch the market for an hour in the morning before I go to work. I will check the market when each new 4 hour bar is formed when I am awake.

What is My State Of Mind?

Being calm and relaxed is an important part of trading. By following your routine you can be in a better state of mind than if you run in and look at the market to try and get a few pips then check the price randomly throughout the day. The routine will help keep your emotions in check.

Example:

a. I will look for signals and not guess which way the market is going.
b. I will only trade in the direction of the trend.
c. When I lose on a trade I will see what I can learn and move onto the next trade.
d. I will not try and get even with the market.
e. I will not be hard on myself for losing on a trade.
f. I will use each trade as a learning experience.

What Are My Goals

Take some time and think about what you want to accomplish as a trader.

a. Do you want to trade for a living?
b. How much return can you realistically expect from trading based on your knowledge and experience?
c. Your goals don’t even have to be about making money.
d. Maybe you would like to be more disciplined or gain more confidence.
e. These goals can be personal.
f. What do YOU want to get out of this?
g. Use these goals as your motivation when times get tough.
These goals will be your vision, and you must always keep your eyes on the prize! A goal to make a lot of money is not really a goal.

Your Trading Journal

Make sure you log the details of each trade and record the reasons for the trade in your Trade Tracker sheet. Later down the road you can look back and evaluate your trades and see how you are progressing. I’ve looked back at my trade journal and have seen just how much I’ve grown as a trader. My first entries were very basic and as I’ve progressed, my trades make more sense to me now. I’ve gained a lot of confidence throughout my career and by looking back at my trades, I’ve really been able to evaluate myself and see if I am getting closer to my goals. This tool will help you tremendously in the long run, so take a few minutes each day and log your trades. You’ll be happy you did!

Summary

Your trading Plan will be just like a flight plan it will keep you on target toward your goals

Review your trading plan every time you trade and stick to the plan.

You may have all the knowledge out there and be able to talk the talk but if you do not have a trading plan on how to use your knowledge then you will never be successful.

Keep in mind when you start to trade with real money you are starting a business and you will need a plan to be successful in that business. If you do not want to start a business then stick to Demo trading and treat it as a game.

On the following page you will find an example of a trading plan.

You should make up your own trading plan from the suggested outline above.

You will be amazed that by following the trading plan you will stay in trades longer and not get in to as many poor trades.
I never trade when I am tired, upset or rushed.

I check the markets when I get home from work.

I set up signals just before I go to bed.

When an alert sounds I check the market and place my trades based on entry signals.

I never anticipate what the market will do I trade only with signals.

I always trade with a stop loss.

I check the market when I get out of bed.

I always trade in the direction of the trend on the 4-hour chart.

I enter the market on the time frame that is easiest to read.

I always use signals to enter and exit a trade.

I always make my own decisions to enter/exit a trade.

I always start a trade with one lot.

I only add to a trade when there are signals.

I never trade with more than10% of my trading account.

I record my trades in my trading journal.

I accept losses and move on to the next trade. 
(Losing is part of trading)

I take responsibility for my successes and failures in the market. 
(I do not blame others)

I practice trade daily ___ weekly ___ for 15 minutes.

I want what the market is willing to give. 
(No greed or fear)