

Trading Business Plan

Robert Sweetman



Version 1 - 11th December 2010	[unpublished - and it was awful anyway!]
Version 2 - 7th May 2011	[unpublished - see above]
Version 3 - 28th June 2011	[unpublished - see above]
Version 4 - 31st Oct 2011	[unpublished - better]
Version 5 - 1st Jan 2012	[unpublished - now being a lazy git]
Version 6 - 22nd Jan 2012	

This document was supposed to be the initial written foundation of a two year project to become a successful spread trader. The project began officially on the first trading day of January 2011.

This planning document has been delayed for a number of reasons but mainly due to lack of focus on my part and a somewhat mistaken belief that I could trade without it. Looking back I also believe it's taken me this long to get to a point where the trading setups I'm using actually have a decent probability of success.

I did not have the depth of technical knowledge needed until I'd been exposed to the teachings of Chris Lori, Jimmy Young, Tom Piccin (@Trader_Dante) and Mike (@FTSEday). This information only really came to me from Oct 2011 onwards.

However I now feel educated enough to bring this information in to work for me alongside the effort I have put in to understanding myself as an individual (through vipassana meditation) and how I react psychologically to different events in managing a trade.

Trading without a plan is at best risky and lacks structure. While I might previously have thought that this was possible I now understand that this wasn't correct at all. Trading to a plan is imperative - as are keeping records of trades - since without this there's nothing to measure progress against and improvement is random and haphazard. How can you stick to rules if you don't know what they are?!

Other ideas and influences regards record keeping derived from Brett N. Steenbarger's book 'The Daily Trading Coach' as well as comments on trading psychology from Chris Lori, Mike (@FTSEday), Jimmy Young and Tom (@Trader_Dante). Linda Raschke's 'Trading Plan' document on her website is also a great piece.

<http://www.lbrgroup.com> Linda Raschke

Other mentions go to: -

@SimonKloot for posting interesting/informative stuff

@Rob_Galloway / @NaomiSharpe / @ccunden and the other Jimmytraders

@JDTrader (@Cash_Card) for general inspirational comments

Trader Steve www.tradersteve.blogspot.com for being awesome

Anton Kreil www.antonkreil.com who's more than able to comment for himself

Mark Douglas (book - The Disciplined Trader)

Mike Elvin (book - Financial Risk Taking)

If not in the list above please accept my heartfelt apologies as I may simply have omitted you entirely by accident.

The Big Picture - Why?

Why have I embarked on this undertaking that has consumed almost every bit of spare time I possessed in 2011 and is set to do the same in 2012? The answer can be given in one word...

Freedom

I stumbled into a well paid position through receiving a decent education that I failed to appreciate at the time and succeeded by having a good work ethic. It's become clear to me that, while I enjoy my job (project management) there are so very many things I'd like to be able to do but I'm limited by time and money.

A final reason is that it would be excellent to be very good at something which is universally recognised as a great skill to have. In line with my theory of only being able to concentrate on three things in life at a time these are currently: -

1. Job - project management
2. Trading - learning
3. Fitness - weights and diet

What needs to happen is that number one and number two merge as well as the completion of my goals related to number three in order to free up time and move on. I am aiming for the 'three things' to look like this in the fairly near future.

1. Job - Trading
2. Relationship
3. ?

Yep - I need to create space in the list to actually obtain a more interesting/rounded life! :)

So with this in mind I've created a short 'mission statement' for trading - kind of like a mantra for getting my head right in relation to trading and so that I take all the opportunities that meet my criteria for good, high probability, low risk trades.

I am a trader and must therefore take all good, high probability trade setups that present themselves to me. I will be patient and trade like a sniper, not a machine gunner. I will wait patiently for trading opportunities to present themselves to me. I will not chase the market. By doing this I will achieve freedom and independence from the fickle moods and whims of others. I will be able to assist those around me and ultimately choose where I expend my time and energy. My success as a trader will enhance my life and pursuing this learning process will make me a better person.

Market situation/assumptions 2012

Volatility will continue to be the order of the day alongside the huge impact of news on the daily picture. The following themes will continue: -

- Eurobashing and the CRISIS!
- Risk on/off trades
- The rise of China / news releases related to this
- The US will lose it's way going into the election

Definitely need to pay very close attention to the timing and impact of news releases and their unique ability to temporarily over-ride all the fundamentals. Remember to take profits and partial positions in advance of news events. At this very moment it's all about bond coverage for PIIGS but recently in late Jan 2012 all pairs have reached interesting levels and the Euro has begun to rally towards the end of wk 16th Jan. Note also that the EURUSD/GBPUSD correlation to the DOW/DAX has begun to be less reliable than it was in Nov/Dec 2011 and previously.

NOTE: I'm probably going to publish this trading plan BUT...

I'm not re-producing information about setups and my approach which I've paid other people for (on which I'm basing my trade entry and management) I will NOT be including this level of detail in this 'public' version of my trading plan. This may seem slightly unfair but I've a couple of reasons not to do this...

- 1) I will get my arse sued right off
- 2) My plan will not suit you *see note
- 3) I'm hoping this will inspire everyone who hasn't got one to write their own!

*Note on trading plans and psychology.

There's a well known quote about trading that goes like this 'you need to develop your own trading style' and this can be linked to the 'give 10 people the same system/rules and they'll all trade it differently'. So what's the reason for this?

Individual trader psychology.

The bit between my ears assessing the market, entering and managing a trade is going to be different from yours. My emotions around what happens next in a trade won't match yours. I hate trading breakouts because I can't decide what price qualifies as a break. Also there are quite a few false breaks ;) so I never feel confident about entering these. I want to take a position at the base (bottom) of a trading range for longs - I might be wrong but (for me) this harder/more aggressive entry is actually easier to manage in the longer term. Stops are smaller etc. This is just a simple example.

Macro Market Monitoring process - global direction

Track the leading indicators for overall global direction as referenced by Anton Kreil in his presentation. Look at adding bond yields data to the mix as this might herald the beginning of the upside when it comes > Also debt to GDP ratio is worth looking at

Specific details not included here due to the fact this stuff is from Anton's paid seminar!

Business Plan improvements

How will this business plan be improved updated as the months progress?

Initial plan is to perform a review every three months to introduce new strategies, change my approach or make modifications for personal circumstances. Make sure all trade setups I'm looking at are up to date and include example with diagrams

Need to focus mainly on how to maximise the time I actually have to trade given I've got a full time job and minimise the amount of unnecessary 'dicking about' in between.

How trading intersects with life outside of trading...

The the over-arching goal for 2012 is to save up enough money to allow me the freedom/flexibility to trade full time from H2 2013. I need to work out what this figure looks like and then focus on achieving it.

I don't think that being in a relationship with anyone is going to work while I'm spending so much time on this topic.

Overall goal is to look to becoming 'full time' trader into 2013

Improving as a TRADER

Practice, Practice, Practice

Actually this business plan is being written more as a means of helping me to focus on becoming a better trader than as the basis of any 'business'. Part of the reason for this is that I've got all the information I need in order to trade and make money but what's actually lacking is a framework to pull this all together in order to advance to the next level. (PowerUP! LOL)

First task is (more than anything else) to complete 100 documented trades. See 'Trade Outline' document for this which contains all the reference questions for getting into and out of a trade.

This should at least take me into the April/May time-frame in 2012. Seems like a long way away at the moment but time moves pretty fast. Can't really call myself a trader until I've done this part and the ups/downs and learning experiences are written down...

Parallel task is to record all the trades electronically into a database so they can be analysed. This isn't going to take a great deal of time in the evenings really 'cause I should be only making a couple of trades a day. Should include trade entry pictures as well as text where possible...

GOALS

Yes, the goals are important (see Why? Section) but I actually need to focus on the process of trading week in and week out. Only by following the process will I actually succeed in learning what works for me and what doesn't.

My first goal is to follow this trading plan i.e. focus on the process

Record Keeping

I will create a FileMaker dB which will act as a journal of all my trades taken. This will focus only on the following pairs/indices at the moment.

- EURUSD
- GBPUSD
- AUDUSD
- FTSE
- DAX
- DOW

This is so that I don't spread myself too thin as well as get me more comfortable how these instruments move. I don't think I will have time to focus my analysis on more than this number with any great depth due to work commitments.

The database will contain : -

- Charts of my analysis for each instrument on a weekly basis as well as notes
- Charts of daily setups and potential plans developing
- Hourly charts with key levels and potential trade entries
- Anton Kreil's macro economic indicators list (as a graph plus raw data)

- Euro based bond auction numbers (5-10yr)
- Key economic/interest rate numbers as this is related to currencies
- Observations about time of intra-day moves, impact of news and correlation
- Record of trades taken - reasons, results, trade management/exits/stop moves etc.

The aim of building this database of trades is

1. To improve my analysis and trading results
2. To show me where things can be improved / changed to get better results
3. So I will know that setup 'x' has a certain win rate and use this for position sizing
4. To have a set of records to help make the jump to trading full time

Time Management

It's essential to manage my time well. Nothing will be achievable without this key skill improving to a ridiculous level. Create a spreadsheet/checklist (done) which contains all the actions that need completing in a week so I can tick off each weekly and daily action and help build a positive habit.

[This includes going to sleep at a reasonable time!](#)

Weekly tasks

- Go through the instruments listed on weekly time-frame/notes and observations
- Add Jimmy Young 'News Finder' events to google - review explanations
- Generate a 'view' where possible on each pair* See later in 'setups' on how I do this
- Review last weeks activity versus my view
- Review each trade taken and write up lessons learned
- Note lessons learned from the previous week and specify one thing to improve/focus on during this week.

Daily tasks

- Go through D1 and H1 for significant levels - mark these on charts and decide on possible entry plays depending on what's happening.
- Look at time based correlation on 5Min across all 6 instruments - see what activity in the early (pre-market) and morning session can be used to generate trading ideas for implementing the rest of the day - especially the late US session. Reason? I'm not working from 6-9pm!!
- Program level alerts for these into my phone or the software direct
- Make sure I record all my trades - especially any losing ones
- Consider 'set and forget' entries/exits at lower time-frames based on higher time-frame movements...

	Weekly	Daily				
News events into Calendar		MON	TUES	WED	THUR	FRI
EURUSD analysis - view?						
AUDUSD analysis - view?						
GBPUSD analysis - view?						
FTSE100 analysis - view?						
DAX analysis - view?						
DOW analysis - view?						
Trades analysis - what can I learn?						
What to improve this week?						
Program level alerts for the day						

Trading Setups

Firstly though a word on exits. None of these setups reference exits because there are highly subjective based on the circumstances at the time... Through analysing the best exit for each trade after it's happened I will be able to build up a selection of exit rules driven by data rather than an arbitrary guesstimate.

SETUP INFORMATION REMOVED AS DISCUSSED

Working on myself

Since the most important factors in trading are psychological it's vital that this is addressed on a number of levels. Some of these approaches may seem a little odd and esoteric but it's me putting my time/effort into this venture so anything that I deem worth checking out to improve my performance will be included.

The two main thrusts of my own self improvement are a regular meditation practice - this only commenced on the 19th June (2011) so at the point of this revision it's still very early days indeed. However I believe the long term benefits will very much outweigh any initial emotional discomfort.

To assist with meditation and energy levels in general I will also be continuing my bodybuilding efforts in the gym. On non-gym days I will be using the kettle-bell I purchased as part of a core workout. Through this consistent achievement I hope to improve my physique and also self-discipline.

There are three primary personal qualities I need to practice and cultivate as part of my personal growth which will also help me become a better trader.

Patience

I am not particularly patient when it comes to trading - having a habit of entering a trade too early when the conditions aren't particularly favourable, or not letting the trade 'run' to a point where I'm going to make exiting at a worthwhile profit

Discipline

See the point above - would be helped by coming up with a strategy that I am happy executing and from which I've seen consistent results. This is of course affected by being

able to accurately and properly execute the particular setup with a high degree of repeatability. So discipline needs to be improved so that I can stick to the plan, record the entry/exit to be able to examine my results across 50 or so trades. This is the only way to really measure the success of a particular strategy and my ability to execute it efficiently.

Confidence

Again, I need to be able to confidently enter and exit trades to a given plan when the particular situation arises. This is only something that will increase with time but can be improved through accurate record keeping to the point where I'm able to say that 'x%' of trades I enter are successful and a particular setup specifically has a track record of 'y%'.

This will also mean if a particular setup seems to be breaking down I will be forewarned that a new idea is needed before it significantly impacts on my account or I am not following my rules properly!

Money management

ALSO NOT INCLUDED

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