A beginner's guide to planning for trading success

Plans Made Simple

SIMPLE, EASY TO UNDERSTAND strategies anyone can use for success!

Money Manage

Risk Managemie

Trading



Strategies



Jacqueline & Davin Clarke



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About the authors

Jacqueline Clarke is a trader and a chartered accountant with extensive experience in senior finance roles for various businesses. She has a keen understanding of the importance of planning for any financial endeavour and the impact planning has on the success rate of any business activity. She has over 10 years' experience in trading as a business. As a trader and accountant, Jacqueline has an understanding of both business and trading, providing a unique perspective for this book.

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To all our clients and the many traders we have had the pleasure of knowing, we thank you for providing us with the opportunity to work with you and see you grow as traders. You have provided much of the inspiration for us to produce this book. chapter 1

Planning to succeed

The scope of this book

Trading Plans Made Simple is designed to provide you with a guide to building a comprehensive plan for your personal trading. When we mention trading, we are referring to anyone who actively manages his or her investments for the purposes of generating income, short-term profits or longer term capital gains. Many of you may consider yourself investors and believe that a trading plan is not suitable for you. Wrong! We strongly urge everyone who is serious about generating a return from their trading or investing to ensure they have a comprehensive plan for success.

We will guide you through the entire process, from setting your goals, evaluating your resources, evaluating what to trade, understanding risk, managing your trades and different types of strategies to measuring your success. In the final chapters we will show you how to bring together all of these elements to create a personalised trading plan tailor-made for you. Throughout this book there are many exercises that you need to complete in the development of your trading plan. To assist you with this, we have created an online resource that you can use to complete these exercises and create your personal trading plan. Each exercise in this book is numbered so that you can easily find the reference in the online template. Simply go to <www.tzarcorp.com>.

The purpose of this book

The purpose of this book is to not only motivate and inspire you to achieve trading success but to also provide a framework for realising that success. Our objective is for you to have a clear picture of what you want to achieve from your trading and a detailed plan on how to achieve those goals. The only way to do that is to create a trading plan that is tailor-made for you. Your trading plan must take into account your personal goals, your personality, your strengths and your resources. For these reasons, it is important for you to work through all the chapters. Some chapters or parts of chapters may not appear to be important or particularly relevant to you; however, if you persist you will see how all the parts come together to provide the information you need for your trading plan.

A personalised and comprehensive trading plan is as equally important for an experienced trader as for a beginner. We have written this book in such a way that beginners, or those who are relatively new to trading, can effectively create a trading plan at the outset. However, this book is also an invaluable resource for any experienced trader who may wish to review and improve his or her trading, or who is currently trading without a trading plan. In fact, we have had many experienced traders who have worked through this book comment that it was a fantastic process for them to create focus and discipline in their trading (and consider a number of issues they hadn't thought of!).

The more you put into working through the information and exercises contained in this book, the better your plan will be. When reading through the chapters, think carefully about your answers to each of the exercises. Try to be honest and candid in your responses.

This plan is for *you*, so make sure you treat it with care and respect. Some chapters you may find more difficult to work through, particularly when examining yourself, looking at your goals, and evaluating your personal strengths and weaknesses. If you can be honest, accurate and comprehensive with your answers, your efforts will be greatly rewarded. You will be able to approach your trading with clarity and focus using a trading plan that is custom designed for you.

Tip

The best trading plan for you is one that is designed around you!

Why have a trading plan?

Just as every business needs a robust plan for success, so too does your trading. Throughout this book we will show you how to plan for your own success. At the end of this book you will be able to visualise your goals, understand what your commitment will be and determine your plan of action.

We encourage you to treat your trading and investment as a business, so that you apply the same level of discipline and attention to your trading as you would give to any business you manage. What we are really talking about is managing your money, and ensuring you generate a return from your money that is commensurate with the risk you take. Without a trading plan, you haven't defined the returns you want or the risk you are prepared to take in order to achieve those returns. You certainly wouldn't invest in any other business without understanding what your inherent risks and potential returns are. Trading should be no different to any other business. Whether you choose to trade long term, short term, full time or part time, the same business principles need to be applied to ensure success and maximise your returns.

Your trading plan will provide you with structure and an action plan for every aspect of your trading. Trading can be a highly emotional activity so a trading plan that sets out your response to any number of trading situations will guide you to make the correct decision at the critical time. Instead of flying by the seat of your pants you will have a well-considered plan of action. Making decisions based on feelings of panic and fear or overconfidence and greed is more likely to result in poor trading outcomes. Your trading plan will assist you to work through the times of stress like a professional.

In trading you cannot control the market—that is one of the elements of trading that makes it so exciting on the one hand but potentially stressful on the other. What you can, and must, control is yourself. Your trading plan will help to give you that control.

It is generally well accepted throughout the business community that having clearly defined goals is a key element to personal and business success. In working through this book you will be asked to examine your reasons for trading and define your trading goals. Thus, a trading plan will provide you with clear goals and the motivation to implement your plan in order to achieve those goals.

Your trading plan will also assist you to review and improve your results. Each of your trading strategies will be set out in your trading plan. Within the plan will be actions to review your results, benchmark and assess your strategies, and look for areas for improvement. If you don't have a plan to start with, you have little chance of assessing if it is working or how to make it better.

Tip

Trading plans give you the control to trade like a professional. If you fail to plan, you plan to fail.

Trading plans and discipline

One of the key attributes to success in trading is discipline. In fact, a key attribute to success in almost any field is discipline.

Discipline takes on many facets, particularly in relation to trading. We would like to discuss each of these facets in turn, and show you the importance of your trading plan in fostering and developing this discipline. After all, it will be a key to your success. Following are the facets:

- ⇒ Trading requires discipline to ensure you undertake the necessary investment in your own knowledge and education to attain an appropriate level of expertise. It is tempting to take the easy road and rely on news, gut feel or even tips. However, this will not provide you with a path to long-term success. You must develop the discipline to take the time and effort required to invest in your own financial education so that you develop the skills and knowledge to trade successfully. Development of your trading plan will identify any areas of learning that you need to address, and will help you schedule the time and create a process in order to attain this education.
- ⇒ Trading requires discipline in management of your trading account. You need to be rigorous in the development and application of your trading strategies. Develop detailed plans for identification of each trade, and a detailed action plan for all market outcomes. Disciplined application of these plans will be essential to your success. The process of developing these plans will foster an emotional investment and ownership of your own strategies, helping you to develop the discipline to follow through with those plans.
- ➡ Trading also requires a high degree of self-management. Trading can be a highly charged and emotional activity. Any number of emotions can threaten to influence your

actions. Feelings of elation and greed when trades are successful and feelings of fear and despair when trades are unsuccessful can threaten your trading success. These emotions can cause you to take actions that result in poor trading outcomes. A trading plan without the selfdiscipline to implement and follow it is not much better than no plan at all. However, the good news is that going through the process of creating a trading plan helps you to foster that discipline. A systematic approach that examines all aspects of your trading will subconsciously reinforce the importance of this plan. The effort and detail you put in as you work through this guide will create an emotional buy-in to your decisions and assist you to take the time and effort to ensure its implementation.

Tip

Trading requires discipline in both management of your account and your own self-management.

An individual approach

Aside from discipline, another important element in trading success is to have an individual approach that suits you, your personality and your lifestyle. One of the great things about becoming a successful trader is that there is no one formula for success. There are many very successful traders and investors throughout the world, all of whom approach their trading in different ways. This is one of the elements of trading that makes it so enticing.

There are successful long-term investors, who select their positions based on detailed fundamental reviews, right through to successful intraday traders who enter trades based on technical chart analysis only. There are successful equities traders, foreign exchange traders and derivatives traders.

Some would-be traders believe that all they need to do is follow a trading system. Unfortunately, there are many trading

systems available in the marketplace but even more traders who fail to make consistent profits in the market. Having a trading system that does not suit your trading style is unlikely to provide you with long-term trading success.

This is why it is so important to develop your own personal trading plan and why we feel so passionate about this book. This is a fantastic tool for you to develop a trading approach that is perfectly suited to you: your skills, your personality, your goals and your lifestyle.

Ordinary people from many walks of life have achieved great things because they set their goals, created a successful plan and had the passion to follow through. This book provides the structure and guidance for you to set your goals and create your own personalised trading plan.

Trading can provide a fantastic lifestyle plus personal and financial success. You just need to be prepared to define your goals, take an individual approach, apply discipline in all aspects of your trading and possess a genuine passion and enjoyment for trading.

Chapter summary

- ⇒ Planning is essential to the success of any business. Treat your trading as a business and create a comprehensive plan for trading success.
- ⇒ Your trading plan must take into account your personal goals, your personality, your strengths and your resources. The best trading plan is one that is designed around you.
- ⇒ A trading plan is equally important for new traders as it is for experienced traders.
- ⇒ A trading plan will provide you with structure and an action plan for every aspect of your trading.
- ⇒ One of the key elements to success in trading is discipline. Discipline is needed to put in the work

required to gain the skills and knowledge to become a successful trader.

- ⇒ Discipline is required to effectively manage your trading account and every aspect of executing your trading strategies.
- Self-discipline is especially important in trading to control your actions in the face of a wide array of conflicting emotions.
- ⇒ Spending the time to develop a trading plan, and the plan itself, are both excellent tools to instil and foster the discipline you need for trading.

chapter 2

Defining your goals

In this chapter we will work with you to explore and define your goals and reasons for trading. In any endeavour in life you undertake you are far more likely to achieve success if you have clearly defined goals. Not only do we want you to have clear goals for your trading, we want you to have a picture of what your overall financial and lifestyle goals are, and link these to your trading. Creating a picture of what your life can be and how trading will help you get there will provide strong motivation to succeed.

Why do you want to be a trader?

Why do you want to be a trader? This might seem an obvious question, and most people answer that they simply want to make lots of money. However, answering 'to make money' is not enough. It requires effort, skill and discipline to become a consistently profitable trader for the long term. You need to invest time in both your education and the development of your skills. As a result, you need a good reason to devote your time and energy in this way. The reasons for wanting to be a trader need to be well defined, personal and specific. Trading is not something to be undertaken lightly. It is a business with an inherent level of risk and a significant failure rate.

A vital but often dismissed aspect of all successful traders is passion. They are passionate about what they do and look forward to their trading activities with a sense of anticipation and excitement. During the time that you are building your trading business, you will experience many highs and lows. You will have times that are stressful and upsetting, and other times when you experience jubilation and a sense of achievement. A passion for trading will help you to ride through all of these. In particular, your passion will allow you to approach setbacks as a challenge and an opportunity to improve. To do this your passion for trading needs to be tied to your goals. You need to define, understand and believe in your goals to ensure losses do not dampen your enthusiasm or cause your confidence to falter.

Tip

A passion for trading will keep you focused and energised to trade well and be successful, and clearly defined goals will help to harness a passion for trading in order to achieve those goals.

It is an important step to understand what you want to achieve from your trading business. Why do you *want* to be a trader? Many people assume that it is simply to make money. However, it is not just the money we want. It is what money can buy us that we really desire. For some people these are material things, for others it may be travel, for others it may be more time or the option to stop working. Focusing on these things helps you to create and foster your motivation to succeed.