
The Development Stages

1 - Taking Action

Our aim in this document is to put in place a process to follow as you progress from wherever you are right now, towards consistent profitability.

If you're a novice, start at the beginning. If you're experienced, start at the beginning as well, comforted by the fact that you'll progress faster.

As with anything we present, feel free to adapt it to your own needs. Although we will caution you; there are no short-cuts in this game. Learning is a process. Cut out or amend steps at your own risk.

2 - The Development Stages

We'll start by defining several stages of development.



Figure 1 – Development Stages

We establish our foundation; we learn to trade in a simulated environment; we learn to trade live with minimum size; and we learn to trade live with increasing size.

Each stage must be clearly defined, with targets to achieve prior to advancing to the next stage. Let's do that now.

Stage 1 – Establish Your Foundation

Foundation Knowledge:

- 1) Read the eight volumes of YSTC “Trading with Price Action Volume”.

Setup:

- 1) Choose your market and Time-frame.
- 2) Document your Trading Plan and Procedures Manual – *Article 80 and 81*.
- 3) Establish your Logs and Journals – *Article 89*.
- 4) Set up your Trading Platform – *Article 77*.

Study price action – market structure and setup areas:

- 1) Print historical charts (all three HTF, TTF, LTF timeframes) for 100 trading sessions.
- 2) Take the charts for one session, and study price action volume with the benefit of *hindsight perfection*.
 - a)
 - Where were the *higher timeframe* S/R levels?
 - Mark them on the *higher and trading timeframe charts, only to the point at which they become irrelevant. Then add new levels as they come into play.*
 - b)
 - Study the nature of price movement within the structure.
 - Define the changes of trend. How did it trend?
 - Is it moving with ease, or facing opposing orderflow throughout?
 - What does this tell you about the bullish or bearish sentiment of market participants?
 - What clues were provided that could have alerted you to the nature of price movement?
 - Note any significant changes in structure, such as key breakout points, or areas of smooth price trend vs congestion.
 - Look for clues that could have alerted you to the changing environment. Record observations on the charts. Record significant observations within your Lessons Learnt Journal.
 - c)
 - Identify setup areas and mark them on the chart.
 - How could you have identified these in advance?
 - Where are the signs of strength and weakness leading into the area?
 - How did price act within the area, to provide clues as to potential success or failure?
 - i) Study price interaction with S/R.
 - What clues did price offer regarding potential TST, BOF or Breakout PB opportunity?
 - How could you have seen this in advance?
 - ii) Study pullbacks.
 - What price action with volume led to a simple, single-swing pullback?
 - What price action volume led to complex (multiple swing or extended duration) pullbacks?
 - d) **Don’t worry about trades at this stage.**
 - Simply make observations of market structure, the nature of price movement and setup areas.
- 3) Place the charts in your market structure journal.
- 4) Repeat steps 2 and 3 for all 100 sessions.

Simulator practice – market structure and setup areas:

- 1) Trade a simulator (paper trading- TradingView) platform with live or recorded market data.
- 2) Follow price action throughout the session while carrying out your initial and ongoing analysis processes.
 - Make notes within your trading log throughout the session.
 - Print (or screen capture) charts if necessary to record price action at the time of your trading log observations.
- 3) **Do NOT concern yourself with trade entry, management and exit.**
 - Just aim to follow price; maintaining your assessment of likely *future trend* direction and areas of trade opportunity.
- 4) Following each session, conduct your post-session review process in order to compare your actual performance with *hindsight-perfect* performance.
- 5) Print charts and make notes for your Journals – Lessons Learnt and Market Structure.
- 6) Repeat for as long as necessary to feel comfortable with the process.
 - Its recommended no less than 2 weeks (10 sessions).
 - Make use of market replay if time is available, in order to reinforce any Lessons Learnt and build your **intuitive mental model of the markets** and *price action* and *volume*.

Study price action – trade opportunity:

- 1) Return to your 100 session chart printouts.
- 2) Having become comfortable with identifying market structure and setup opportunities, you will now consider trade entry and management.
Start with the printouts for the first session.
 - a) Review the previously identified setups.
 - b) How should you have traded these setup areas (in broad principle only)?
 - Where was the ideal entry point?
 - Consider the nature of price movement (smooth or choppy with much candle overlap, for example) – how could that have influenced your trade entry decision?
 - How should you have managed the trade, with the benefit of hindsight?
 - Should you have scratched?
 - When should you have moved stops to breakeven, or beyond?
 - Where was the ideal exit?
 - What clues were provided with the price action volume to lead to this *hindsight-perfect trade*?
- 3) Repeat step 2 for all sessions.
- 4) Return the charts to your Market Structure Journal for future study.

Simulator practice (market,bar replay) – trade opportunity:

- 1) For each of the previously recorded simulator sessions:
 - a) Replay market data with the intent of again conducting your *initial* and *ongoing* analysis, this time also *trading each of the setups*.
 - b) Following each setup, pause to review your attempts to trade it.
 - **Where did you correctly read the market sentiment and make correct trading decisions?**
 - **Where should your decisions have been different?**
 - **Record** any *lessons* in your Lessons Learnt Journal.

Target for Advancement to Stage 2:

- 1) **Minimum 100 historical sessions** reviewed in hindsight
– market structure and setup areas.
- 2) **Minimum 2 weeks** simulator trading
– market structure and setup areas – **NO TRADES**.
- 3) **Minimum 100 historical sessions** reviewed in hindsight
– trade opportunity.
- 4) **Minimum 2 weeks** simulator trading (market replay)
– trade opportunity

Yes, this will take at least a month! Or possibly a lot longer if you don't have 100 sessions of historical data! You may wish to consider similar markets to make up the numbers, but we recommend at least 50 sessions from the actual markets you will trade.

Be patient. You will learn a lot during this process.

Stage 2 – Simulator Environment

Initial Benchmark:

- 1) Review the Pre, During and Post-Session Routines – *The Procedures Manual*
- 2) Commence trading the strategy as if live, but within the safety of a simulator (paper trading) environment.
- 3) **Carry out all daily routines for 1 week.**
 - Do not concern yourself with results, although all trading must be conducted in as professional manner as possible.
 - We are not playing here! This is serious business!
- 4) Record your trading stats.
 - These set your initial benchmark.
 - You will most likely not have achieved profitable results.
 - Do not be concerned.
 - This is merely your starting point.

Improvement:

- 1) Continue trading, aiming for gradual improvements through an effective review process.
- 2) Refer to the later section on Challenges and Difficulties, if necessary.
- 3) Repeat until achieving profitable results in each of 4 consecutive weeks.

Target for Advancement to Stage 3:

- Profitable results in each of 4 consecutive weeks, within the simulator (bar replay) environment.

Stage 3 – Live Environment – Minimum Size

Initial Benchmark:

- 1) Commence trading the strategy in a live market environment, with the minimum position size possible for each of your two part positions.
- 2) Carry out all daily routines for 1 week.
- 3) STOP TRADING if you lose 10% of your trading funds.
 - Something is most likely NOT going right.
 - Conduct a thorough review and return to the simulator environment.
 - Note: You must be financially able to afford the loss of this 10% of your trading funds.
 - If not, do not commence stage 3 until having saved a larger account balance.
 - Alternatively, consider moving to a market that allows smaller accounts and smaller position sizes.
- 4) Record your trading stats.
 - These set your initial benchmark.
 - You will most likely not have achieved profitable results.
 - Do not be concerned.
 - This is merely your starting point.

Improvement:

- 1) Continue trading, aiming for gradual improvements through an effective review process.
- 2) Refer to the later section on Challenges and Difficulties, if necessary.
- 3) There is to be no consideration for increasing position size until achieving profitable results in each of 4 consecutive weeks.
 - Size increase though is not compulsory.
 - Remain at minimum size for as long as you need.

Target for Advancement to Stage 4:

- Profitable results in each of four consecutive weeks, within the live market environment, with minimum position size.

Stage 4 – Live Environment – Increasing Size

Proof of Ability:

- 1) Return to a simulated (paper trading) environment, trading the increased position size.
- 2) Carry out all daily routines for 1 week.
- 3) Do not transition to a live environment until demonstrating a profitable week.
 - If you fail to achieve profitability, consider either returning to the previous size for additional time, or attempting a second week.
 - If the second week is not profitable you must remain at the original size.
 - You may only progress to the live environment if the combined fortnight is profitable.

Trading Increased Size:

- 1) Continue trading, aiming for gradual improvements through an effective review process.
- 2) Refer to the later section on Challenges and Difficulties, if necessary.
- 3) There is to be no consideration for further increases of position size until achieving profitable results in each of 4 consecutive weeks at each size level.
 - Size increase though is not compulsory.
 - Remain at the current size for as long as you need.

Target for Further Size Increases:

- 1) Profitable results in each of four consecutive weeks, within the live market environment, with the current position size.

3 – As You Progress...

NOTE:

- 1) All size increases must involve a **gradual** increase, not a large jump.
There is no hurry.
The number one priority is to ensure survival at each level, prior to advancing to larger size.
- 2) Throughout this development plan I have referred to trading for a week.
 - Obviously different weeks will have different numbers of trades.
 - The intent is that each week provides a minimum of 20 trades.
 - If your week does not provide this, carry this week over to include the next.
 - That is, group the trades from the fortnight and consider that as a single week, for the purposes of our development plan.

TRADING BUSINESS

The Trading Plan

12.2 - Trading Plan Template

Cover Page

- Heading
- Next trading plan review date
- Emergency contacts

Preface

- Aim
- Table of Contents

Introduction

- Mission Statement
- Goals

The Trader

- Responsibility
- Current State
- Health
- Further Education

The Trading Business

- Business Management
- Capital Management
- Resource Management
- Operations Management
- Contingency Management
- Review Process
- Trading Plan Review
- Time Management

The Trading Process

- Overview
- Market & Time-frame Selection
- Market Analysis
- Roles and Responsibilities
- Risk and Money Management
- Psychology
- Trade Strategy
- Further Development

Annexes

(Next Review Date:)

TRADING PLAN

(Next Review Date:)

Next trading plan review date

Insert the date for your next trading plan review.

As mentioned, I recommend initially reviewing your plan on a monthly basis, extending to quarterly and then biannually or annually as your consistency and profitability improve.

Emergency contacts

Enter contact details for your broker, including account numbers and account names and any other relevant details (NOT PASSWORDS). When something goes wrong and you need to contact your broker immediately, you'll be happy that you took the time to include these details on the FRONT PAGE of your trading plan. It will also be included on the front page of your Procedures Manual.

Emergency Contacts

(Next Review Date:)

Broker:	Primary:	Backup:	Other:
Account Details:			
Phone:			
Online Chat:			

(Next Review Date:)

Preface

Aim (Enter a statement describing the aim of the trading plan document.)

“This plan is intended to document the general principles and strategies that will allow me to produce income from the _____ markets. It provides the foundation for the Procedures Manual, which details all information for day to day implementation of this plan.”

EQ (Equity), EQ – F&O, INDEX – F&O, Currency, Commodities F&O, Forex, Cryptocurrency.

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Annexes

Introduction

Mission Statement

One or two paragraphs briefly outlining:

- Why are you trading?
- What are you trying to achieve?

Here I recommend documenting your “reasons why”, which we discovered when discussing the trading psych prerequisites in Personal Survival article – under Prerequisites for Survival.

(-Check Mission Statement in Motivational Journal-)

Goals

Business Goals – document your target win% and WLSR, or your 70/90/100 plan, as discussed in article Goals & Targets.

Track results per session, rather than per trade.

I aim for the following targets: (below e.g:)

- **70% of days are positive**
- **90% of weeks are positive**
- **100% of months are positive**
- **Individual trade results are irrelevant.**

Fill your % for the following targets:

- **___% of days are positive**
- **___% of weeks are positive**
- **___% of months are positive**
- **Individual trade results are irrelevant.**

Document the above target win% and WLSR in *(-Trading Journal Sheet-)*.

Daily Goals – include a note on the importance of process goals rather than outcome goals, during the heat of daily trading battle. Daily goals must not include any outcome or level of performance.

There are many widely recognized benefits of goal setting, if used correctly:

- It provides clear direction, both long-term and short-term;
- It provides motivation in the short-term; and
- It provides a benchmark against which you can measure your performance, allowing you to identify and celebrate your successes, and to identify and correct areas of poor performance.

Process goal examples would include:

- “All entries must have an attached stop and target order.”
- “For trading today, I will only take entries in the direction of the 5 min trend.”
- “Today I will not scratch my part one positions while the NYSE Tick is still moving in my trade direction.”

The Trader

Responsibility

A statement of personal responsibility!

I hereby declare that,

Current State

Successful trading requires an understanding and acceptance of our current strengths and weaknesses, in order to maximize our strengths and overcome or minimize the impact of our weaknesses.

List your current trading **strengths** and **weaknesses**, and your plan for managing these.

Health

Successful trading requires a healthy mind and body. It's essential to manage your personal health and to ensure a healthy work/life balance.

Outline how you will achieve this under three sub-sections:

- Mind => "I will achieve a healthy mind through the following means:"

- ---
- ---
- ---

- Body => "I will achieve a healthy body through the following means:"

- ---
- ---
- ---

- Social => "I will achieve a healthy work/life balance through the following means:"

- ---
- ---
- ---

Further Education

Consistent trading success requires ongoing education and growth.

Outline your plan for further education.

What will you currently work on? When? How often?

The Trading Business

Business Management

Outline your plans for the following:

- =>Tax or Business Structure

- =>Accounting / Business Software

- =>Advisors (ie. accountant, bookkeeper etc)

Capital Management

What funds have you allocated to your trading venture?

Where are they located?

What is your maximum loss limit?

What is your reinvestment plan?

What is your plan for further contributions to your account equity (or any market), if any ?

What is your plan for withdrawal of funds from your account equity (or any market) ?

The Trading Business

Resource Management

List the trading resources you will use in your business, under the following headings:

- Broker _____
- Charting _____
- Data Providers _____
- Journals _____
 - Article 89 will discuss the various logs and journals used in our business.
 - List them here, along with a sentence describing their purpose:
 - Trading Log
 - Trading Journal Spreadsheet
 - Trades Journal
 - Market Structure Journal
 - Lessons Learnt Journal
 - Motivational Journal
- Economic Calendar
 - Use TradingView or see if any of your broker provides.
 - <https://www.ystc.com/resources>
- Education Resources
- Additional Tools
 - Timers, screen-capture software etc?

That's all I list. Your business may require additional resources such as:

- News Sources _____
- Earnings Calendar _____
- Market Scan _____
- Back Testing Software _____
- Portfolio Management _____
- Instant Messaging _____

Operations Management

This will simply **reference** the **Procedures Manual**. For example:

- The **Procedures Manual** is to detail daily routines, including all pre-session, during session and post-session routines.
- The **Procedures Manual** is to detail the recording of trade and trade session stats, within both the Trading Log and Trading Journal Spreadsheet.
- The **Procedures Manual** is to detail a daily review process, for the purposes of personal growth and development.

Contingency Management

Once again, the trading plan will simply **reference** the **Procedures Manual**. For example:

- The Procedures Manual is to detail plans for dealing with any contingency which may occur during the trading session.

Review Process

When will you conduct reviews? How will you do it?

- **Daily**
 - Market Structure Review
 - Setups / Trades Review
 - Personal Performance Review
- **Weekly**
 - Trading Performance Review
 - Trading Log Review
 - Personal Performance Review
- **Monthly**
 - Trading Performance Review
 - Journals Review
 - Trading Plan Review
- **Biannual / Annual**
 - Goals Review

Reference the Procedures Manual for review procedures.

The Trading Business

Time Management

Outline the time that you can commit to your trading business and your ongoing education.

- What time can you allocate for trading (including pre and post-session procedures)?

- What time can you allocate for your weekly, monthly and longer reviews?

The Trading Process

Overview

Provide a short overview of your approach to trading. For example:

- I will be trading the YSTC Price Action Strategy, with the following amendments:
 - _____
 - _____
 - _____
 - _____

Market & Time-frame Selection

Which markets are you trading? Why?

Which time-frames are you trading? Why?

Market Analysis

I include here a simple reminder of the importance of price action, and then a **reference** to the **Procedures Manual**.

For example:

- Market analysis is to be conducted with a primary emphasis on price action. All indicators are a derivative of price and lag, and shall therefore be considered as decision support tools only.
- The Procedures Manual is to contain a step by step process for conducting market analysis.

The Trading Process

Roles and Responsibilities

Optional section – I don't use it anymore, but did once with great effect. Get more about this in article 96 “employ a team of traders”, when discussing challenges and difficulties.

- In order to minimize the negative psychological impact of “*being a trader who tries to make a profit*”, I will not trade as a trader.
- Instead I will assume the following roles at various times within my trading business:
 - Market Analyst,
 - Order Entry Clerk,
 - Risk Manager,
 - Operations Manager,
 - Trading Coach, and
 - Compliance Officer.
- The Procedures Manual is to assign an appropriate role to each procedural step.

If using this, then you'll need to update the procedures manual to assign the appropriate role to each procedural step. I also recommend including a short job-description for each role within the trading plan.

Risk and Money Management

Risk management – every trade entered in the market MUST have an attached stop loss order.

Money management – include notes as discussed in article 71 “Money Mgt – Explanatory Notes.

Psychology

For me, this section simply references the Procedures Manual:

- The Procedures Manual is to outline routines designed to manage emotions and trade with focus, consistency and discipline.
- This will include a plan for relaxation, a plan for clearing my mind and regaining focus following a trade, and a plan for recovery following any negative occurrence such as a significant error or loss, as detailed in article 75 “Recovery Procedure”.

The Trading Process

Trade Strategy

NOTE: This section may be duplicated within your trading plan, once per strategy, to cater for those of you who trade multiple strategies.

Describe your trading strategy. This is a chance for you to summarize the YSTC Price Action Trader strategy.

It may be as simple as referring to the summaries provided in Volume Eight.

However, great benefit will be gained through putting all you've read into your own summary words and diagrams.

You may wish to do so under several headings:

- Principles
- Screen Setup
- Position Sizing
- Analysis
- Setups – Description & Diagram
- Trade Entry
- Trade Management and Exit

Further Development

List areas of focus for further development of yourself and your trading strategy.

12.3.7 – Annexes

Add anything else you wish to add!!!

Peak Performance Mindset

Relaxation / Breathing Session

I conduct a relaxation / breathing session during all three phases of my trading day (Pre, During and Post-session). It's an incredibly powerful means of ensuring a clear mind and relaxed body.

Mind, body and soul in alignment, ready to face the challenges ahead!

You may replace this with any relaxation or breathing process. However if you don't have one, I recommend the following simple procedure:

- Sit on your trading chair, with your feet flat on the floor, arms relaxed by your side, hands resting on your lap, your shoulders comfortably back, and your back erect (do not slump)
 - This should be a relaxed position, not forced.
- Touch your tongue to the roof of your mouth, close your mouth, smile, close your eyes and breathe softly through your nose.
 - Keep your breath natural. Don't force it. Don't try to hold it longer than what is comfortable.
 - Breathe into the lower belly rather than the chest.
 - Make it one fluid motion – inwards and outwards, ensuring no pause between breaths.
- Relax your body.
 - As you breathe, focus on your body. Identify any sources of tension. Use the out-breath to consciously relax those muscles. Repeat until you're completely relaxed.
- Relax your mind.
 - Focus on your breath. Feel the breath entering your body as you inhale. Feel the breath leaving your body as you exhale. If you discover your mind wandering elsewhere, do not judge; simply return your focus to your breath.
 - Some people may prefer to consciously occupy their mind. Count each breath (inhale and exhale combined) from one to ten. Once again, if you find your mind wandering, simply return your focus to your counting.
- Continue for as long or as short a session as you like.

For a more in-depth study of breathing, I recommend the 7 Day Meditation Challenge program currently available on the YouTube.

Visualization

During my Pre-Session routine, I review my trading log to identify my daily process goal. This also includes a brief visualization of the process goal being carried out successfully.

So for example, let's assume our daily process goal was, "Today I will not scratch my part one positions while the SBIN Tick is still moving in my trade direction."

- Visualize a trade entry and stall.
Feel the unease and the desire to scratch the position.
Visualize myself looking towards the SBIN Tick on my chart and observing it still supporting my trade.
Visualize myself holding... and the trade moving on to T1.
Feel the satisfaction that comes from having successfully achieved my daily process goal.
- Visualize a trade entry and stall.
Feel the unease and the desire to scratch the position.
Visualize myself looking towards the SBIN Tick on my chart and observing it still supporting my trade.
Visualize myself holding.
Visualize the stall continuing and the SBIN Tick turning, leading me to scratch the trade.
Feel the satisfaction that comes from having successfully achieved my daily process goal – holding the trade to give it chance to move to T1 rather than getting scared out at the first sign of stall.

Note that in both visualizations – winning and losing trade – I successfully followed and achieved my process goal. This is a successful trade, in both cases.

Motivational Journal

A primary **Pre-Session tool** used in maintenance of my peak performance mindset is my motivation journal.

The motivation journal is simply a folder containing various pieces of text or image material which I find sufficiently motivating; the aim being to ensure I face each trading session with focus and commitment and, most importantly, confidence.

I'll share my contents list below; however feel free to create your own however you see fit. Make it a work in progress, always updating as you find new motivational material.

My motivation journal is a ring binder, allowing insertion of relevant material in the following five sections:

1) Reasons Why

- a) My four motivation statements – Disgust, Decision, Desire, Resolve.
 - i) You may prefer to use the pain and pleasure statements.
- b) Any additional thoughts as to what trading success means to me.
- c) An image of my family.

2) Current Reminders

- a) Any current areas of focus, which need regular reinforcement and reminders
 - i) For example, if you're hesitating at entry and having difficulty pulling the trigger, you might write a few sentences as follows:
 - Always remember, each trade is just one of many being traded that month. And each month is just one of hundreds that I'll have over the course of my trading career. So, I will take my entries knowing that it doesn't matter if I win or lose on this trade.
 - My quality, reality-based setups, with reward:risk ratio of at least 1:1 to the first target, combined with my strict application of risk and money management, mean that I have a positive expectancy and I will profit over a series of trades.
 - Nothing annoys me more than an entry not taken due to fear or hesitation. I'd rather take the small 1R loss than miss the opportunity for >1R profit.

3) Goals

- a) My target goals – 70/90/100, as discussed in chapter 9.
- b) A reminder of the probabilistic nature of trading
 - i) Here I insert the 70% winning days diagram from figure 9.1, along with some written notes reminding me that individual trade results are irrelevant.

4) Proof of Success

- a) A small sample of printouts of trades in which you performed in a professional manner (winning and losing), annotated with notes.

5) Motivational Material

- a) Any statements, quotes, excerpts from books or poetry or songs, or any images which you find motivate you to excel in both trading and in life.
- b) Examples:
 - i) Ziad's motivational passage, from the comments section of the following blog post:
 - ii) Optimists Creed – do a Google Search

Motivational Journal

1) Reasons Why

- a) My four motivation statements – Disgust, Decision, Desire, Resolve.
 - i) You may prefer to use the pain and pleasure statements.
- b) Any additional thoughts as to what trading success means to me.
- c) An image of my family.

a.) Motivation statements –

1. Disgust :

Q. What is it that you're disgusted with? What is it that you wish to never experience again? What is it that has you saying, “No More! Never Again! Enough is Enough! It's Time to Change!”?

A. _____

2. Decision :

Q. Make a clear decision.

A. _____

– *The above documented decision in writing. Tell everyone close to you.*

3. Desire :

Q. Write down a desire statement. What do you want to achieve from trading. There may be some overlap here with the previous pleasure statements. Be sure though that the desire statement is one based upon a feeling.

A. _____

4. Resolve :

Q. Resolve to do whatever is necessary to achieve your goals.

You've got the disgust to move away from.

You have decided to take action.

You have the desire to move towards.

It's time to resolve to do whatever it takes to make it.

“Not dead. Can't Quit.”

Above is a great quote from Richard Machowicz which you may want to use.

A. _____

Motivational Journal

1) Reasons Why

- a) My four motivation statements – Disgust, Decision, Desire, Resolve.
 - i) You may prefer to use the pain and pleasure statements.
- b) Any additional thoughts as to what trading success means to me.
- c) An image of my family.

a.) i) Pain and Pleasure statements –

A. I don't like to work for other people as they don't give fair wages, no flexible time.
Instead its better to work hard on your own business.

(the pain statements) :

Q. “What will it mean for my life and my happiness if I fail to put in the necessary work to become a consistently profitable and successful trader?”

A. _____

Q. “What does that mean?”

A. _____

(the pleasure statements) :

Q. “What will it mean for my life and my happiness when I succeed, and can call myself a consistently profitable trader?”

A. _____

Q. “What does that mean?”

A. _____

Motivational Journal

1) Reasons Why

- a) My four motivation statements – Disgust, Decision, Desire, Resolve.
 - i) You may prefer to use the pain and pleasure statements.
- b) Any additional thoughts as to what trading success means to me.
- c) An image of my family.

b) What trading success means to me –

A. Passion for the Process

Armed with realistic expectations and motivation to take positive action, the final prerequisite is a passion for the process of trading.

If you don't enjoy the daily routines, you will NOT survive.

You may hate your previous life, and greatly desire the rewards that come from trading success. You might be motivated for action.

But if you don't absolutely LOVE the process of trading, I guarantee you will fail. The motivation, disgust and desire will not be enough.

So, take some time to consider whether or not you really love this game?

Q. Do you love the analysis?

A. _____

Q. Do you love the challenge?

A. _____

Q. Are you OK with making mistakes, reviewing your decisions and trading actions, and trying to find the way forward?

A. _____

Q. Are you willing to make mistakes? Forgiving yourself again and again and again?

A. _____

If not... perhaps trading is not the right path for you? It's ok. It's best to admit that early, before damaging your financial and psychological capital.

You've seen the strategy. You have a good idea of the degree of work required to conduct analysis and trade the markets. Are you excited by the challenge ahead? Take some time out to confirm your passion for this game.

Motivational Journal

2) Current Reminders

- a) Any current areas of focus, which need regular reinforcement and reminders
 - i) For example, if you're hesitating at entry and having difficulty pulling the trigger, you might write a few sentences as follows:
 - Always remember, each trade is just one of many being traded that month. And each month is just one of hundreds that I'll have over the course of my trading career. So, I will take my entries knowing that it doesn't matter if I win or lose on this trade.
 - My quality, reality-based setups, with reward:risk ratio of at least 1:1 to the first target, combined with my strict application of risk and money management, mean that I have a positive expectancy and I will profit over a series of trades.
 - Nothing annoys me more than an entry not taken due to fear or hesitation. I'd rather take the small 1R loss than miss the opportunity for >1R profit.

3) Goals

- a) My target goals – 70/90/100, as discussed in chapter 9.
- b) A reminder of the probabilistic nature of trading
 - i) Here I insert the 70% winning days diagram from figure 9.1, along with some written notes reminding me that individual trade results are irrelevant.

4) Proof of Success

- a) A small sample of printouts of trades in which you performed in a professional manner (winning and losing), annotated with notes.

5) Motivational Material

- a) Any statements, quotes, excerpts from books or poetry or songs, or any images which you find motivate you to excel in both trading and in life.
- b) Examples:
 - i) Ziad's motivational passage, from the comments section of the following blog post: <http://www.eminiplayer.com/2009/06/learning-to-become-successful-trader.html> (an absolutely brilliant passage – I highly recommend this one).
 - ii) The Warrior Trader principles and Action plan, from “The Way of the Warrior Trader” by Richard McCall.
 - iii) Optimists Creed – do a Google Search

Action Affirmation (AA) Statements

Focus

- Breathing (slow and deep)
- Mind clear, body relaxed
- Trust (myself and my strategy)
- Focus

Analysis

- What is the trend?
- Where is the strength?
- Where is the weakness?
- Where is the next opportunity?
- Patience

Entry

- Confirm the weakness (against S/R or on PB)
- Who's trapped?
- Where will they exit?
- Trust (myself and my strategy)
- Fade the weakness! Spring the trap!
- Strike!

Management

- Patience
- Trust (myself and my strategy)
- Where's the strength?
- Where's the weakness?
- Hold while the premise remains valid

Regroup

- Confirm flat
- Clear my mind
- Review the trade
- Review any error
- Accept it
- Forget it
- Focus

Affirmation Action Statements (AA Statements)

Affirmations are short, positive statements that you repeat to yourself; typically in an effort to replace any negative self-talk with positive self-talk.

For example, "I am a successful and consistently profitable trader."

Any bracketed text is not verbalized, but is documented in the statement as a reminder of the context.

Repeating these statements to myself ensures my mind is focused on what's important during each critical stage of the analysis and trading process. My actions will therefore be less influenced by doubt, second-guessing or any other negative distraction.

My affirmation action statements are documented as part of my procedures manual, as well as displayed on my trading wall.

Recovery Procedure

This is a clearing process, used whenever encountering a significant loss or some evidence of (worse than usual) negative emotions.

It may or may not lead to resumption of trading. That will be a judgment call based upon the circumstances.

Once again I'll provide guidelines based around my procedure, but feel free to use it, adapt it, or create your own from scratch. It needs to be something you own, and you feel comfortable with.

The process involves three stages – relaxation, review and release. The whole process should take only 10-15 minutes.

Relaxation – Body & Mind

- Conduct a standard relaxation / breathing session.
- Conduct a short Chi Gung session.
 - This is a moving meditation session. If you're not trained in or interested in Chi Gung, this step could be replaced with any other soft-form martial arts such as Tai Chi, or a simple guided meditation. The aim is a still and calm mind. Try 7 Day Meditation Challenge on my YouTube channel.

Review

- Consider the nature of the occurrence from the perspective of feelings
 - What feelings led to the decisions that were made, or actions that were taken?
 - How does this make you feel after the event?
 - The key here is to explore your feelings in a non-judgmental manner. Accept them.
- What does this mean? Where is the lesson?
- How will you behave in future when encountering the same circumstances?
- Visually replay the situation with the new improved behavior Confirm improved feelings.

Release

- Conduct a standard relaxation / breathing session.
- Forgive yourself.
- Completely let go of whatever happened.
- Review your motivation journal.

Money Management

Money Management

To develop our money management plan, we'll look at financial survival from a risk management perspective.

What are the risks as a result of trading?

1. **Individual Trade Risk** – a single trade loss which takes our account to levels which force us to quit.
2. **Session Draw-down Risk** – a single trading session which takes our account to levels which force us to quit.
3. **Business Draw-down Risk** – a sequence of trade losses over a longer time-frame resulting in draw-down to levels which force us to quit.
4. **Increased Size Risk** – an inability to psychologically manage the increased size as our account balance grows, leading to excessive draw-down.
5. **Insufficient Income Risk** – an inability to maintain lifestyle through lack of income, forcing withdrawal of account funds and our inability to continue trading.

These risks are managed through clearly defined controls within our trading plan.

The next article is an example trading plan inclusion. Followed by Explanatory notes article. As always, feel free to adjust as you see fit (recognizing that increased risk increases the likelihood of failure to survive the learning curve).

- You will note that my recommended levels of risk are VERY conservative.
- The focus in this plan is not on capital growth, but rather on capital preservation during the learning phase.
- As such, we aim to ensure a low percentage risk at all times.

Once consistently profitable, if you wish to increase risk in search of higher gains then by all means increase the percentages, or do some further research on alternate money management strategies.

Do so at your own risk though. The focus (in my opinion) should always be more on capital preservation than on growth.

Trading Plan Inclusion – Money Management

Individual Trade Risk:

- Position sizing is to be such that maximum risk per trade is to not exceed 1% of account equity.

Trading Session Money Management

- Daily timeout is to occur at 2% draw-down from session highs
- Daily stop is to occur at 3% draw-down from session highs
- Percentage figures are calculated on the trade session highs as price amounts.

Business Money Management

- I will stop trading at 20% draw-down
- I will take this trading halt as an opportunity to review my trading plan, review my trading performance with the benefit of hindsight, and return to a simulation platform until
(a) consistent profitability is again proven in that environment, and
(b) the account balance has been replenished via other sources.

A Graduated Approach to Increasing Size

- All increases in number of contracts will be
(a) preceded by a profitable month at the previous position size;
(b) only initiated when our equity balance allows the increase while still maintaining our individual trade risk of 1%; and
(c) proven in a sim environment through demonstration of a profitable week of trading.
- If a session stop is hit, I will consider the need for a return to the previous size and/or sim environment. If two session stops are hit, with no intermediate equity high, I must return to the previous size.

Income to Maintain Lifestyle

- I am not in a financial position to allow full-time trading, however my work is from 10am to 5pm. This, plus my wife's income, is sufficient to cover our expenses and maintain our current lifestyle.
- I will not transition to full-time until my trading has developed to a level which can regularly provide the equivalent of twice my working income, in order to allow for capital growth and income needs.
- This structure allows me to day-trade the commodities markets from the 06:00pm to 11:30pm open for a period of 4 hours, after attending work. In the morning I will allocate 1 hour for review.

Money Management: *Explanatory Notes*

Individual Trade Risk

- Treatments must be applied to our trading plan to ensure that no single loss can threaten the survival of our trading business.
- Individual trade risk will be managed through the use of stop-loss orders and position sizing, such that **individual trade risk will not exceed 1% of equity**.
- Most educators recommend varying levels between 1% and 5%, with the majority recommending 2%.
 - We recommend 1% maximum.
 - 2% is too great in our opinion during the learning process.
 - If you have five full-size losses in a row, which will happen while learning, you have lost 10% of your account.
 - In my experience, this is too great a loss over too short a period of time for new traders, who still have not developed trust in their strategy or themselves.
- Experiment with greater risk if you wish, AFTER having proven consistent profitability.
 - For NOW, Individual trade risk must be no greater than 1%.
- Note: When trading in 2 part positions, the maximum risk per part must therefore be 0.5%.
- Under NO circumstances will you allow a trade to continue past its stop loss point. Price hitting your stop means that either your trade idea was wrong or your timing was wrong.
 - Either way, you need to be out in order to contain any risk.
- One final word of warning!
 - *Please note that limiting risk through the use of stop losses does not guarantee the risk is limited to that amount.*
 - *In most markets a stop loss order when triggered generates a market order designed to exit you from your position.*
 - *In Intraday conditions of extreme market panic there may not be any orders taking the opposite side of your market order.*
 - *Significant slippage can occur. A lot of traders lost a lot of money.*
 - *Be familiar with exactly how your broker executes and manages their orders. And accept that there will always be risk in the markets.*
 - *Hence the often provided disclaimer that you should only ever trade with money you can afford to entirely lose.*
- That being said, the 1% individual trade risk will provide a significant buffer of safety should you find yourself positioned against one of these extremely rare market events.

Session Money Management

- Treatments must be applied to our trading plan to ensure that no 1 trading session draw-down can threaten the survival of our trading business.
 - While our 1% maximum individual trade risk will assist here in slowing any rate of draw-down, our session survival can still be threatened through poor personal management.
 - Such examples would include over-trading or revenge trading; desperately continuing to trade when in draw-down in order to salvage something out of the session.
 - This will rarely ever work. Quite likely the initial draw-down is a result of poor market read or negative psychological influences.
 - Our attempts to recover the session will be even further impacted by worse market read and psychological influences, as our perceptual abilities and decision making are impaired through fear of loss.
- **Its recommend implementing a “timeout” at 2% session draw-down**
 - This is fairly small amount, but two full-size losses are a warning that perhaps you are not in sync with the market, or there are some external or internal distraction impacting your ability to execute your plan.
 - Take a short break; then review the session so far.
 - Continue only if you can confirm that the trades were appropriately selected, entered and managed in accordance with your plan; or if you identify errors and correct them.
 - Note that 2% draw-down does not just mean 2 stop-outs.
 - With an active trade management process, many stops will occur with reduced loss.
 - It may take you 2, 3, 4, 5 or even more trades to hit a 2% session draw-down.
- **Its recommend implementing a 3% session draw-down compulsory stop.**

Something is not right. Walk away. Review at a later time.
Capital has been saved to allow you to continue next session.

- The figures for 2% session timeout and 3% session stop are of course just recommended.
 - We acknowledge however that they are very tight.
 - If you are comfortable with more risk then you can increase these limits.
 - We would recommend waiting till consistent profitability is proven first.
 - Please though, not more than 3% session timeout and 5% session stop.
 - Take some time out to reassess and start fresh next session.
- Your session P&L must operate with a session trailing stop.
 - Do not get off to a great start in this session and then give back all your profits as you trade your way back down to your maximum session stop.
 - Like we do with individual trades, we will implement a session trailing stop.
 - We recommend the same parameters we use for initial stops.
 - Trail your session timeout 2%. Trail your session stop 3%.

-
- Let's look at an example:
 - Equity Balance ₹20,000
 - Individual trade risk: ₹200 (1%) (NB. Trading two parts will require max ₹100 risk per part)
 - Trading session timeout: Initial timeout at ₹400 (2%), trailing ₹400 below session equity highs.
 - Trading session stop: Initial stop ₹600 (3%), trailing ₹600 below Intraday-session equity highs.

Business Money Management (Business Draw-down Risk)

- Treatments must be applied to our trading plan to ensure that we stop trading at a certain level of draw-down and halt any further erosion of our balance.
- **Its recommend to stop at 20% draw-down**
 - At this point, something is not going right.
 - If you want more, then at the absolute most do not go beyond 30% draw-down
 - Beyond this it becomes more difficult to regain the losses.
- Take some time out to again study this document. Review your trading performance with the benefit of hindsight and return to simulation trading, until consistent profitability is again proven.
- New traders, with small account balances, should use this time out of the markets to replenish their account from other income sources, and should not start trading live again until the account balance is back to its original level.

A Graduated Approach to Increasing Size (Increased Size Risk)

- Size can only be increased as allowed by our percentage risk rule.
- As the number of contracts traded increases, you will reach levels beyond which the rupee/dollar risk is psychologically more and more difficult to accept.
 - This will act as a source of fear to impact upon your trading results.
- We will therefore implement a graduated approach to increasing size.
- Success at the current size must be proven via at least one month of profitable trading.
- **All size increases must be proven in a simulation environment first.**
 - My preference is to see a profitable week, before returning to the live environment.
 - This may be done via market replay out of hours, in order to speed up the process.
- If a session stop is hit while live trading, you should consider the need to return to the previous size and/or the sim environment if two session stops are hit, then you must return to the previous size.

Income to Maintain Lifestyle (Insufficient Income Risk)

- The time-frame to consistent profitability is unknown; varying for each individual.
 - So our financial survival plan needs to be able to last as long as is necessary for us to achieve this goal.
- Too many books offer the suggestion of saving sufficient funds to allow you to survive for at least 12 months of live trading.
 - This implies that 12 months will be sufficient time to achieve profitability.
 - Rubbish.
 - What if it takes you 13 months?
 - What if it takes you 2 years?
- A better plan is to ensure financial survival for as long as is necessary to achieve your end goal.
- Until you have achieved consistent profitability, any funds withdrawn from your trading account to fund lifestyle expenses place your trading business at risk.
- A wiser plan is to therefore structure yourself such that you do not require any trading profits for lifestyle.

-
- If sufficient alternate income streams are currently available, such as through your spouse's income and investment or business income, then you are free to trade full-time while developing your skills.
 - If sufficient alternate income streams are NOT available, and trading has not yet developed to a level of consistent profitability such that profits allow both capital growth and withdrawal, then you cannot yet trade full-time. It may not seem fair, but the reality is what it is. You need to:
 - Continue working in order to support your family and lifestyle.
 - Identify means of developing as a trader, around your work and life.
 - While this is easier said than done, it can be achieved.
 - Consider options to limit your trading time to a maximum of 2-3 hours per day, such as via longer time-frames (e.g. daily charts), or day-trading only the opening session of a market or the open of your favorite commodity contract.
 - With markets open 13 hours a day, there will be something available at a time to suit you.

Additional Considerations – Higher Time-frame / Multiple Markets

- Higher time-frame traders will usually have multiple positions open at one time.
- This incurs an additional risk not faced by short time-frame day-traders such as myself – multiple position risk;
- An unexpected news event or market shock which stops out all positions at once.
 - **Multiple position exposure must be limited to no more than 3%.**
- This does not necessarily mean you limit your portfolio to only three positions. You may wish to risk six positions at 0.5% risk per trade. Alternatively you may be willing to add additional positions as current positions move their stop to break-even or beyond, accepting that there is no longer an account draw-down risk with these trades.
- In addition, take care to ensure that multiple positions are not in highly-correlated markets. Unless you actively monitor market correlations and identify suitable conditions for these trades, it's best to just avoid highly correlated markets.
- An additional consideration is the need to redefine the term “session”. In previous discussion, session timeout and stop limits related to my own day-trading, referring to one trading period, or one day.
- For longer time-frame traders this won't be applicable, as your trades will often extend greater than one day.
- Redefine a trading session to whatever is applicable to your circumstances.

For example, you may wish to define timeout and stop criteria per week.

Money Management – Wrap Up

Some final points to wrap up money management...

- There's a great difference between the session stop level of 3% and the business stop level of 20%.
- Some of you may wish to implement an intermediate level, such as a Weekly or Monthly percentages for timeout and stop.
- We don't, as we are typically aware of the fact that something is wrong and are able to conduct a review anyway, despite not mandating any stop levels.
- However it may be something you wish to consider.
- And most importantly... we know some of you will not have sufficient funds to trade with a maximum of 1% risk.
- If that's the case, then rather than accepting additional risk, I recommend you continue with simulation trading only while saving additional capital, or find a market or time-frame which allows this level of risk.

Money management can be quite complex if you wish it to be so. My preference is to make it as simple as possible. Avoid all the mathematical models such as "Optimal f" or the "Kelly Criterion". Stick to a simple approach.

The focus for most of you will not be capital growth, but capital preservation during the learning phase. So make it simple and make it safe. Minimize the potential for career-ending draw-down. Stick to a low percent risk model.

Once consistently profitable, if you wish to increase risk in search of higher gains then by all means do some research on alternate money management strategies.

- We don't recommend it though.
- For us, simplicity is always the best.

PROCEDURES MANUAL (Next Review Date:)

Trading Plan Summary Details:

Market(s) Traded: EQ (Equity), EQ – F&O, INDEX – F&O, Currency, Commodities F&O, Forex, Cryptocurrency.

- INDEX – F&O
-

Timeframes: (HTF / TTF / LTF)

Other Timeframes: (HTF / TTF / LTF)

- 30-15 / 5-3 / 2-1 min
- D-4H / 1H / 30-15 min
- Y / W / D

Trading Session:

- Pre open session :
- – (Time Zone)
-
-

Other Details:

Emergency Contacts (Next Review Date:)

Broker:	Primary:	Backup:	Other:
Account Details:			
Phone:			
Online Chat:			

Screen Setups

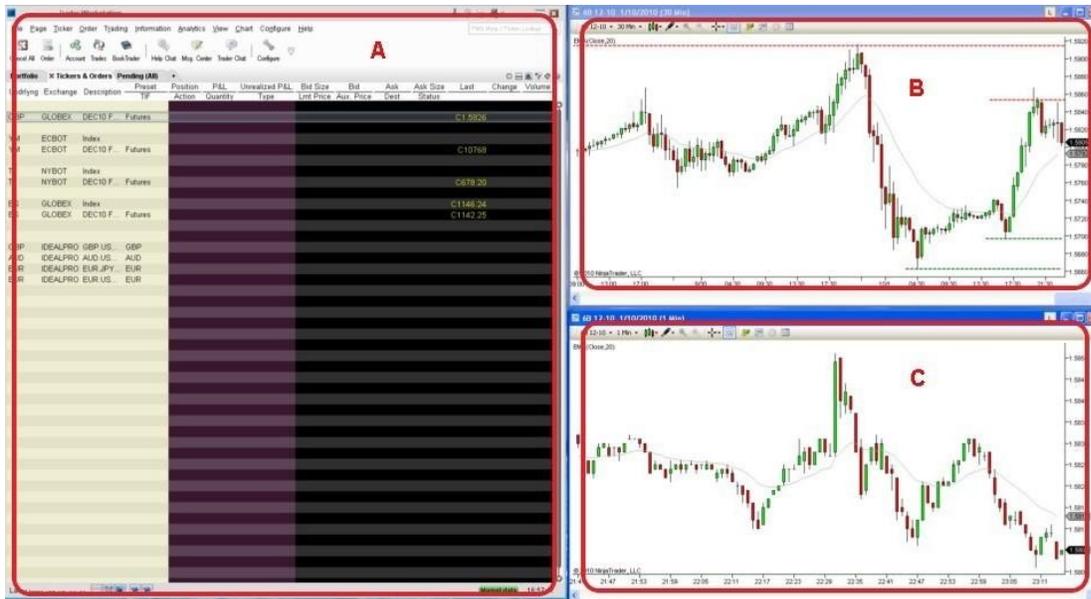


Figure 11.1 - Dual Monitor Setup - Left Side

A = Workstation
 B = Higher Timeframe Chart
 C = Lower Timeframe Chart



Figure 11.2 - Dual Monitor Setup - Right Side

D = Data Box
 E = Time & Sales
 F = Trading Timeframe Chart
 G = DOM / Order Entry Screen

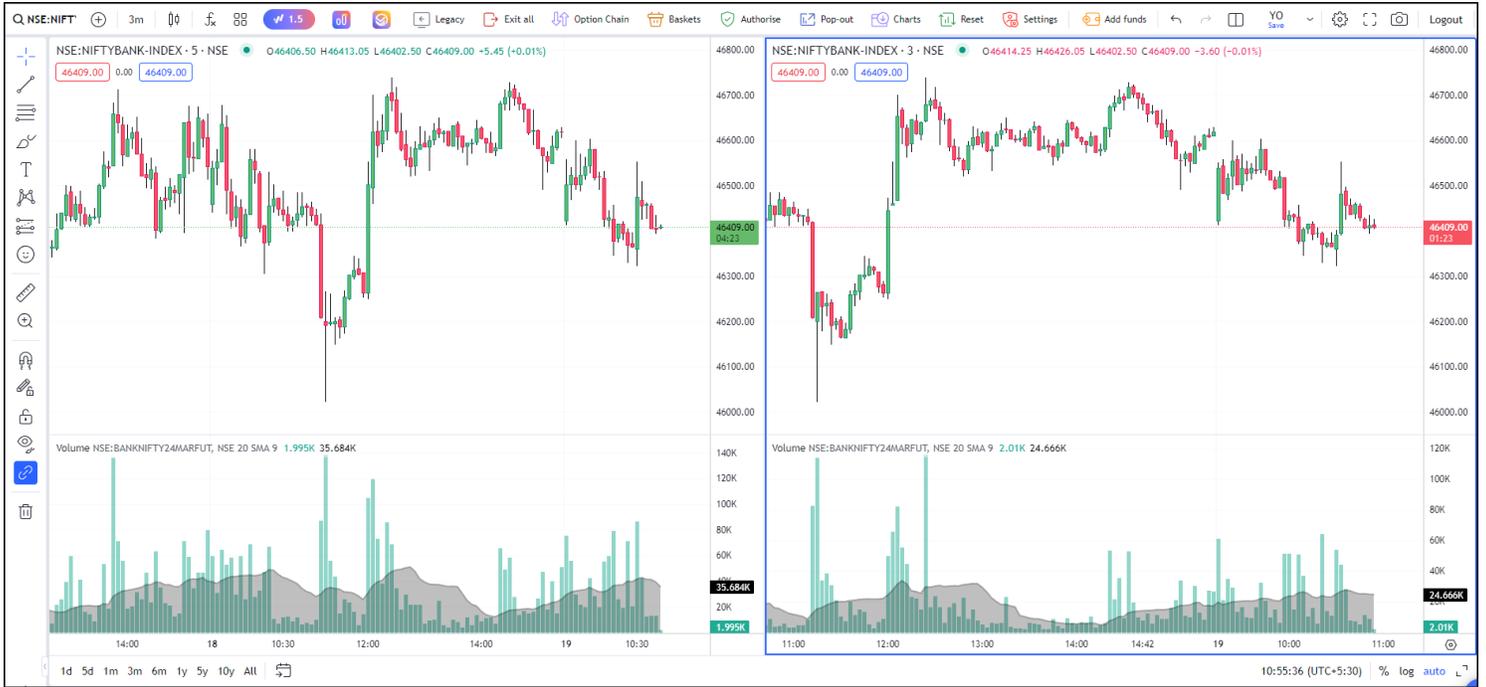
Screen Setups



Top Image = HTF – 60m
Bottom Image = HTF -30m



Screen Setups



Top Image Left = TTF - 5m /Right = TTF -3m
 Bottom Image Left = LTF -1m /Right = DOM



Routines – Pre-Session

Personal Preparation

- 1) Initial Check of Physical and Mental Health
 - a) If suffering from any ill health or stress, consider the need for canceling the session, reducing the session, reducing position sizes, or implementing periodic checks of myself and my performance.
 - b) Seek independent opinion from _____

- 2) Physical
 - a) Ensure sufficient sleep, in accordance with the 5/12 fatigue management plan.
 - b) Ensure sufficient and healthy food intake (sufficient to last till first break)
 - c) Fill water bottle and place at trading desk
 - d) Conduct a relaxation and breathing session

- 3) Psychological
 - a) Review Motivational Journal

Trading Preparation

- 1) Platform & Computer Preparation - Part 1
 - a) Virus check, clean & restart computer
 - b) Open platform with sim account

- 2) Review the previous session.
 - a) Trading Journal & Log
 - b) Lessons Learnt (from previous session Log)
 - c) Sim trade (market replay) any key sequences from previous session
 - d) Sim trade - execution drills
 - e) Goals recommended for today
 - f) Close sim account.

- 3) Prepare today's Trading Journal and Log
 - a) Market
 - i) Confirm no contract rollover (next date due: _____)
 - b) Session timings
 - c) Balance & position sizes
 - d) Review Economic Reports
 - e) Record daily goals

- 4) Platform & Computer Preparation - Part 2
 - a) Open platform with live account
 - b) Synchronize system clock
 - c) Set alarms for prior to session start, or any potentially volatile news event I wish to watch prior to session start
 - d) Set my candle timer
 - e) Confirm order entry / DOM screen is correctly configured - contract, position sizes, order strategy (stop, limit parameters) and one-click order entry

Initial Analysis

- 1) Define Structure
 - a) Define a structural framework within which our trading time-frame price action will move.
 - i) Identify areas of Support or Resistance on the higher time-frame (30 min) chart based on swing highs and lows.
- 2) Define Trend
 - a) Assess the movement of past price action within our market structure framework.
 - i) Identify significant swing highs and lows on the trading time-frame (3 min) chart.
 - ii) Identify the trend direction – up, down or sideways
- 3) Identify Strength & Weakness
 - a) Analyze price movement within the trend to identify signs of strength or weakness.
 - i) Analyze momentum of recent price swings
 - (1) Compare the momentum of the current price swing with the momentum of the previous price swing in the same direction? Is price faster or slower than before? What does that mean?
 - (2) Compare the momentum of the current price swing with the momentum of the previous price swing in the opposite direction? Is price faster or slower than before? What does that mean?
 - (3) Is the current price accelerating or decelerating? What does that mean?
 - ii) Compare projection and depth of recent price swings
 - (1) Increased projection is a sign of potential trend strength. Decreased projection is a sign of potential trend weakness.
 - (2) Increased depth is a sign of potential trend weakness. Decreased depth is a sign of potential trend strength.
 - iii) Identify signs of failure to continue (i.e, failure to meet expectations).
 - (1) Failure to continue is a sign of weakness
 - iv) Identify signs of strength or weakness via any miscellaneous methods
 - (1) Volume analysis
 - (2) Market Internal indicators

4) Identify Future Trend Direction

- a) What is the likely path of future price action? Determine the likely path of future price action, in accordance with the six principles listed below.

Six Principles of Future Trend Direction:

Within the S/R framework:

- **First Principle** – We expect an up or down trend to continue in its current state until the next S/R barrier, unless displaying evidence of weakness within the trend.
- **Second Principle** - When an up or down trend shows evidence of weakness, we expect a higher likelihood of a complex correction rather than a reversal, until such time as the market shows both price acceptance and strength in the new trend direction.
- **Third Principle** – A sideways trend within the framework is expected to continue in its current state, unless displaying evidence of strength towards the range boundary.
- **Fourth Principle** - When a sideways trend shows evidence of strength towards the range boundary, we expect a break of the boundary. We observe the behavior of price post-breakout for clues as to future direction:
 - Weakness following the breakout – the expectation is for a breakout failure and reversal back within the trading range
 - Weakness on the pullback – the expectation is for a breakout pullback and continuation.

At the edges of the S/R framework:

- **Fifth Principle** – We expect a test of our framework S/R to hold, unless strength is displayed on approach to the S/R boundary.
- **Sixth Principle** - If strength is shown on an approach to an S/R barrier, we expect a breakout and watch the behavior of price post-breakout for clues as to future direction:
 - Weakness following the breakout – the expectation is for a breakout failure and reversal back through the area of S/R.
 - Weakness on the pullback – the expectation is for a breakout pullback and continuation.

5) Visualize Future Price Action

- a) How do you expect price to behave? Visualize the future price action, based upon your expectations for future trend direction and its interaction with the market structure S/R levels.
 - i) What price action would validate your assessment of future trend direction?
 - ii) What price action would invalidate your assessment of future trend direction?

6) Identify Areas of Trade Opportunity

- a) Based upon your expectations for future trend direction and how it should interact with areas of S/R and swing highs / lows, identify the next potential setup areas.
- b) Areas of trade opportunity are found where weakness plays out against S/R and swing highs / lows (TST, BOF, BPB), or within a trend (PB, CPB).

Steady trend environment:

- Higher Probability
 - PB and CPB

Weakening trend environment

- Higher Probability
 - CPB
 - PB if they break a previous swing low (uptrend) or swing high (downtrend)
- Lower Probability
 - Any other PB
 - Counter-trend TST or BOF of swing high (uptrend) or swing low (downtrend)

Within a Sideways Trading Range with a clear intra-range trend

- Lower Probability
 - PB and CPB

Approaching higher time-frame S/R or range S/R, with no sign of potential breakout

- Higher Probability
 - TST

Approaching higher time-frame S/R or range S/R, with strength showing signs of potential breakout

- Higher Probability
 - BOF or BPB

Final Preparation

- 1) Final Confirmation Check
 - a) Again confirm my physical and mental health.
 - b) If suffering from any ill health or stress, consider the need for canceling the session, reducing the session, reducing position sizes, or implementing periodic checks of myself and my performance.
 - c) Confirm again that my fatigue levels are within the limits as defined by the 5/12 fatigue management plan. No trading is to occur if I am classified as suffering from fatigue.
- 2) Final relaxation and breathing session

Routines – During Session

Maintain a Positive and Focused Mindset

- 1) Whenever focus has been distracted or minor stress is observed
 - a) Log nature of distraction (notes)
 - b) Office environment – quiet and serene
 - c) Sitting – back straight
 - d) Quick Relaxation / Breathing session
 - e) FOCUS
- 2) Once per hour
 - a) Conduct one or two Chi Gung forms
 - b) Quick Relaxation / Breathing session
 - c) FOCUS
- 3) Mid-Session Break (if conducting full session)
 - a) Eat a small meal
 - b) Full Relaxation / Breathing session
 - c) Reflect on the opportunities that the trading day brings
 - d) FOCUS

Recovery (Significant Loss or Negative Emotions)

- 1) Relaxation – Body & Mind
 - a) Relaxation / Breathing session
 - b) Conduct a short Chi Gung session.
- 2) Review
 - a) Consider the nature of the occurrence from the perspective of feelings
 - b) What feelings led to the decisions that were made, or actions that were taken?
 - c) How does this make me feel after the event?
 - i) The key here is to explore my feelings in a non-judgmental manner. Accept them.
 - d) What does this mean? Where is the lesson?
 - e) How will I behave in future when encountering the same circumstances?
 - f) Visually replay the situation with the new improved behavior Confirm improved feelings.

-
- 3) Release
 - a) Relaxation / Breathing session
 - b) Forgive
 - c) Completely let go of whatever happened.
 - d) Review motivation journal.

Monitor Throughout the Session

- 1) Regular monitoring
 - a) Throughout the session, take time to monitor and record any significant observations regarding:
 - i) Market structure and price action movement
 - ii) My trading process
 - iii) My physical and psychological state
- 2) When?
 - a) At key session times:
 - i) Pre-Session, Mid-Session, Post-Session
 - b) At key events
 - i) After exiting every trade
 - ii) After any structural changes
 - c) Any other time that I feel I've gained an insight into market structure, my trading process or my physical and psychological state.

Ongoing Analysis

- 1) Determine Candle Pattern Sentiment
 - a) Classify the candle pattern and determine the short-term sentiment of price.
 - b) Classify the candle pattern
 - i) Rejection Candles (Long Lower wicks)
 - ii) Rejection Candles (Long Upper wicks)
 - iii) High / Mid / Low Close
 - iv) Bull / Range / Bear Candle
 - c) Determine the sentiment of the pattern
- 2) Consider the Context
 - a) Every pattern is unique and MUST be considered in the context of the background market environment in which it occurs.
 - b) Where is the current price action in relation to key market structure features with volume:
 - i) Support or Resistance
 - ii) Trend
 - iii) Swing Highs and Lows
 - c) What does this mean with respect to the sentiment of the pattern and the potential future price action and volume?
- 3) Does it Support my Premise?
 - a) Is the market action continuing as expected, or is something indicating we're out of sync with market flow? Does the current price action and sentiment support our previous expectations for future price action?
 - i) Yes
 - (1) Await further price information.
 - ii) No
 - (1) Decide whether to hold for the next candle, or to reconsider the Initial Market Analysis.
 - iii) Unsure
 - (1) Wait for further price information.
- 4) Repeat
 - a) Repeat the process as new information appears on the chart.

Trading

1) Trade Preparation

- a) Monitor price movement confirming it matches the behavior previously anticipated. If price action differs from expectations, return to the initial analysis and recheck premise and assumptions.
- b) Identify trade parameters
 - i) Stop loss location
 - ii) Targets T1 & T2
 - iii) Confirm entry zone
 - (1) Consider both Last Wholesale Price - (LWP) if identified and Last Retail Price (LRP)
- c) Identify preferred entry plan
 - i) Stop and/or limit order
- d) Final confirmation
 - i) The setup and trade is valid with 1:1 R:R for this market environment
 - ii) Price action is supporting the trade premise.

2) Trade Entry

- a) Monitor price movement bar by bar, until the entry locations are identified. Ensure price continues to support the trade premise.
 - i) Determine candle pattern sentiment
 - ii) Consider the context
 - iii) Does it support my premise
- b) If bracketing price, place a stop entry order at the LWP as soon as it's identified.
- c) If working an entry, place an appropriate order in the market as soon as the entry decision is made.
 - i) Limit entry order in area of stall
 - ii) Limit or Stop entry order on price action trigger.
- d) Confirm pending order details are correct.
 - i) Entry price, direction, size,
 - ii) Contingent stop and target orders
- e) On fill:
 - i) Cancel other no longer required pending orders.
 - ii) Confirm full or partial position filled

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- f) Post-fill confirmation (gross error check)
 - i) How do I feel about the entry?
 - ii) Confirm the setup and trade are valid for this market environment
 - iii) Confirm the price action is supporting the trade premise.

3) Trade Management & Exit

- a) Continue monitoring price movement bar by bar. Ensure price continues to support the trade premise.
 - i) Determine candle pattern sentiment
 - ii) Consider the context
 - iii) Does it support my premise
- b) Part One
 - i) While premise remains valid:
 - (1) Move the stop to break-even when we would no longer wish to be in the trade if price retraced to the entry point.
 - (2) Move the stop to new levels where we would no longer wish to be in the trade if price retraced to that point.
 - ii) When premise is threatened
 - (1) Cancel position if immediate exit is required.
 - (2) Else work an exit through tightening both the stop and target orders, based upon lower time-frame price action.
- c) Part Two
 - i) While premise remains valid:
 - (1) Move the stop to break-even when we would no longer wish to be in part two if price retraced to the entry point.
 - (2) Move the stop to new levels where we would no longer wish to be in part two if price retraced to that point.
 - ii) When premise is threatened
 - (1) Cancel position if immediate exit is required.
 - (2) Else work an exit through tightening both the stop and target orders, based upon lower time-frame price action.
 - iii) When market shows increased strength
 - (1) Consider extension of T2 or replacement with a trailing stop.
- d) On partial exit
 - i) Confirm order correctly filled.
- e) On total exit
 - i) Confirm flat.

4) Post-Trade

- a) Reconfigure order entry screens or DOM.
- b) In the event of a loss:
 - i) Consider the need for a recovery process.
- c) Is price setting up for a possible re-entry or subsequent setup?
 - i) Delay any trade log entries and prepare for the new trading process.
- d) When time permits:
 - i) Update trade log.
 - ii) Monitor and record significant observations:
 - (1) Market structure or price action.
 - (2) My trading process.
 - (3) My physical and psychological state.

Routines – Post-Session

Immediately After

- 1) Relaxation and Breathing Session (*quick - 2 to 3 minutes max*)
- 2) Administration (*approx 5 min*)
 - a) Export transactions from broker
 - b) Confirm my trade log matches the broker's transactions
 - c) Complete any post-session trading log and spreadsheet entries
 - d) Print charts and mark the trades (*usually completed during session, if it allows time*)
 - e) Review P&L
 - f) Update calendar with Green/Red profit or loss indicator (if you do)
- 3) Trading Session Review (*approx 45 min+; document any significant findings in the Trading Log under the heading Trading Session Review*)
 - a) Market Environment Review
 - i) With hindsight, how would you define the market environment?
 - ii) How successful were you in identifying the market environment during the trading session?
 - iii) What signs were present to indicate this environment?
 - iv) What key pattern features were present and how could they have been used to identify the market trend and bias?
 - v) Step manually through the chart bar by bar, or use a market replay feature to step through the chart at high speed, observing the market environment and the signals that identify that environment, trend and bias.
 - vi) Print the chart and add appropriate notes to your Market Structure Journal.
 - b) Trades Taken
 - i) With the benefit of hindsight, was your trade based on a valid setup for that market environment?
 - ii) If this was a valid trade:
 - (1) Review the signals that led you to identify the trade opportunity?
 - (2) What was the ideal entry point? How does that compare to your entry? What signals (if any) did the market provide, which could have led to an improved entry?

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- (3) Was the initial stop location appropriate? Was it in accordance with your trading plan? Where, with the benefit of hindsight, should the stop have been placed? What signals (if any) did the market provide to identify that location?
 - (4) What was the optimal trade management strategy, in order to minimize risk when wrong or maximize gain when right? How does that compare to your trade management strategy? What signals (if any) did the market provide for moving the stop to break-even, or beyond?
 - (5) What was the optimal exit location or locations, in order to minimize risk when wrong or maximize gain when right? How does this compare to your exit location? What signals (if any) did the market provide to identify this ideal exit location?
- iii) If this was not a valid trade:
- (1) What signals were present that should have led you to avoid that trade?
 - (2) Having got into the trade, was the initial stop location appropriate? Was it in accordance with my trading plan? Where, with the benefit of hindsight, should the stop have been placed? What signals (if any) did the market provide to identify that location?
 - (3) What was the optimal way to manage this trade, in order to minimize risk when wrong or maximize gain when right? How does that compare to your trade management strategy? What signals (if any) did the market provide for moving the stop to break-even, or beyond?
 - (4) What was the optimal exit location or locations, in order to minimize risk when wrong or maximize gain when right? How does this compare to your exit location? What signals (if any) did the market provide to identify this ideal exit location?
- iv) Replay that portion of the trading session, making optimal decisions for valid trades and avoiding invalid trades, either by stepping manually through the chart bar by bar, or use a market replay feature.
- c) Trades Missed
- i) With the benefit of hindsight, where were the valid trade opportunities that were missed?
 - ii) For each of these trade opportunities:
 - (1) What signals did the market provide that should have alerted me to the trade setup?
 - (2) What was the ideal entry point? What signals (if any) did the market provide, which could have led to identify this ideal entry?
 - (3) Where, with the benefit of hindsight, should the stop have been placed? What signals (if any) did the market provide to identify that location?
 - (4) What was the optimal trade management strategy, in order to minimize risk when wrong or maximize gain when right? What signals (if any) did the market provide for moving the stop to break-even, or beyond?

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- (5) What was the optimal exit location or locations, in order to minimize risk when wrong or maximize gain when right? What signals (if any) did the market provide to identify these ideal exit locations?
 - iii) Replay the trade, making optimal decisions, either by stepping manually through the chart bar by bar, or use a market replay feature.
 - d) Summarize this session's performance in the trading log.
- 4) Physical and Psychological Performance Review (*approx 2-3 min; document any observations in my trading log under the heading Performance Review*)
 - a) Were my fatigue levels appropriately managed?
 - b) Was I in optimal physical condition? What can I do to improve?
 - c) Was my ability to sustain focus at an acceptable level? What can I do to improve?
 - d) Was I accepting of emotion during the trading session, without letting it unduly influence decision making? What can I do to improve?
 - e) Was my mental state during trade execution one of confidence and self-belief, or one of fear? Why? What can I do to improve?
 - f) Am I satisfied with my performance during this trading session? What can I do to improve?
 - g) Do I feel I am making progress in my trading performance from day to day? What can I improve?
 - h) Write summary notes.
 - 5) Next Session Preparation (*approx 2 to 3 min; document in my trading log under the heading Next Session*)
 - a) Document any goals for the next session
 - 6) Final Relaxation and Breathing Session (*quick - 2 to 3 minutes max*)
 - 7) Completely let go of whatever happened during the trading session

Before Bed

- 1) Relaxation and Breathing Session (*quick - 2 to 3 minutes max*)
- 2) Visualization of success - achievement of my outcome goals
- 3) Completely let go of whatever happened during the day

Contingency Management

Contingency Management

Contingency Management procedures are documented within our procedures manual, and outline how I will react to ANY potential error or external threat which may impact on my trading results.

The process I use is based upon studies in Threat & Error Management (TEM).

The following will provide examples of Contingency Management procedures. Feel free to adapt as required for your own business.

The process for developing your own procedures is quite straightforward:

- 1) Identify potential errors and threats
- 2) Document a treatment which acts to either avoid the error or threat, or minimize risk should it eventuate.

Sources of Threat & Error:

- Evidence of Illness, Stress or Negativity Impacting Trading Decisions
- External Distraction
- Incorrect Order Entry or Incorrect Fill
- Loss of Connectivity (ISP, Computer, Platform) While in a Trade
- Session or Business Draw-down Limits Hit
- Violation of Rules

Evidence of Illness, Stress or Negativity Impacting Trading Decisions

- 1) If I have live trades, immediately either:
 - a) Close the trades and cancel any working orders; or
 - b) If positions are in profit, confirm appropriate stop (not < break-even) and target orders, and walk away.
- 2) If I have working orders, cancel them.
- 3) Record details of the occurrence, for consideration during the post-session review.
- 4) Consider the need for a break, or a relaxation or recovery session, or for cancellation of the remainder of the session.

External Distraction (which can't be ignored)

- 1) If I have live trades, immediately either:
 - a) Close the trades and cancel any working orders; or
 - b) If positions are in profit, confirm appropriate stop (not < break-even) and target orders.
- 2) If I have working orders, cancel them.
- 3) Deal with the distraction.
- 4) Record details of the occurrence, as soon as possible, for consideration during the post-session review.
- 5) Consider the need for a break, or a relaxation or recover session prior to restart.

Incorrect Order Entry or Incorrect Fill

- 1) Immediately cancel the order if it hasn't been filled.
- 2) If the order is filled, rapidly assess the situation.
 - a) If analysis indicates potential for the market to move rapidly against the position, EXIT.
 - b) Else set an aggressive stop to minimize loss and manage the position to try to work a profitable exit.
- 3) Record details of the error, for consideration during the post-session review.
- 4) Contact broker immediately if error is due to a broker-error (incorrect fill).
- 5) Consider the need for a break, or a relaxation or recovery session.

Loss of Connectivity (ISP, Computer, Platform) While in a Trade

- 1) Close any open trades and pending orders via whichever of these means is available and quickest:
 - a) Connecting to the platform via a backup computer.
 - b) Connect to the broker online via their web platform.
 - c) Immediately contact the broker via phone and/or live chat.
- 2) Resolve the issue if possible and continue with the session. If not continuing, conduct the post-session routine.

NOTE: All orders placed into the platform should have an attached stop and target order.

Session or Business Draw-down Limits Hit

- 1) Immediately exit all trades.
- 2) Consider the need for a break, or a relaxation or recovery session.
- 3) Complete the Post-Session routine.

Violation of Rules

- 1) If I violate any part of my trading plan, I will do the following:
 - a) Do not put on any new trades.
 - b) Close trades that should be closed.
 - c) Manage open trades until the exit.
- 2) Record details of the violation, for consideration during the post-session review.
- 3) Consider the need for a break, or a relaxation or recovery session.

Longer-Term Reviews

Weekly:

- 1) Trading Performance Review
 - a) Review trading stats for the week for all trades, and all monitored subsets of trades
 - i) Win%
 - ii) Win / Loss Size Ratio
 - b) Identify and analyze any deficiency or greatly improved performance
 - c) Note any observations in the trading log
- 2) Trading Log Review
 - a) Review the trading log for all sessions.
 - b) Confirm all significant observations have been recorded in the lessons Learnt, market structure and trades journals.
- 3) Market Replay Session
 - a) Conduct market replay of any key trades or sequences of price action.
- 4) Personal Performance Review
 - a) Consider my personal trading performance in the following areas:
 - i) Health
 - ii) Mindset
 - iii) Focus
 - iv) Discipline
 - v) Attitude
 - b) Identify areas for improvement.
- 5) Develop process goals for the next week.
- 6) Confirm money management figures for the next week.

Monthly:

- 1) Trading Performance Review
 - a) Review trading stats for the month for all trades, and all monitored subsets of trades
 - i) Win%
 - ii) Win / Loss Size Ratio
 - b) Identify and analyze any deficiency or greatly improved performance.
- 2) Study new entries in the lessons Learnt, market structure and trades journals.
- 3) Complete trading plan review.
- 4) Develop process goals for the next month.

Bi-Annual / Annual:

- 1) Am I enjoying myself?
- 2) Have I achieved my trading goals? Why? Why not?
- 3) Are my trading goals still relevant?
- 4) Have I achieved my *reasons why*? Why? Why not?
- 5) Are my *reasons why* still relevant?

Trading Plan Review

- 1) Does my current trading plan accurately reflect how I trade?
- 2) What is the strongest part of my trading plan? What can I do to improve it?
- 3) What is the weakest part of my trading plan? What can I do to improve it? What can I do to minimize the risk or impact?
- 4) What is the area of my trading plan that I haven't really developed to its fullest potential?
- 5) Do I really know whether my plan provides a positive expectancy? How do I know?
- 6) What is one thing I could do right now to improve my pre-trading preparation?
- 7) What is one thing I could do right now to improve my identification of setups?
- 8) What is one thing I could do right now to improve my entries?
- 9) What is one thing I could do right now to improve my trade management?
- 10) What is one thing I could do right now to improve my exits?
- 11) What is one thing I could do right now to improve my post-trade review process?
- 12) What is one thing I could do right now to improve my record keeping?
- 13) What is one thing I could do right now to improve my longer term reviews (weekly, monthly, biannually)?
- 14) What is one thing I could do right now to improve my discipline?
- 15) What is one thing I could do right now to improve my consistency?
- 16) What is one thing I could do right now to improve my trading psychology?
- 17) What is one thing I could do right now to improve my money management?
- 18) What is one thing I could do right now to improve my risk management?
- 19) What do I fear most in my trading?
- 20) What am I embarrassed to talk to others about when discussing my trading?
- 21) What was the low point of the last period? What will I do to prevent that reoccurring?

Trading Plan Review

- 22) What was the high point of the last period? What will I do to ensure that repeats again in future?
- 23) How do I plan to improve in coming months?
- 24) Review the layout of the supplementary journals and logs. Is there scope for improvement?

Trading Log

The trading log is the primary document I use on a daily basis for recording anything and everything which occurs pre-session, during session and post-session.

I've trialed different logs in the past – one for trading data; one for psych notes. I've found it's too hard to switch back and forth during the session. I now put everything in one.

I use an A4 size lecture pad, which can then be inserted in a ring binder for archiving, once full.

Data is entered under headings of Date, Prep, Notes, Trading Session Review, Performance Review and Next Section, as guided by the procedures manual.

In the margin alongside any Notes or Review text, I place a short code to allow me to quickly identify the nature of this text. Codes are as follows:

- AN = analysis
- TR = trading
- MK = market structure observation
- LL = lesson learnt
- PERS = personal / psych observation
- ? = anything else of potential or unknown significance which needs to be considered during the post-session review

This coding of the trading log entries is not essential, but it makes it easier to find all data related to one topic, among the whole session's log entries. For example, if I wanted to review any personal performance or psych observations, I just look for the PERS codes.

The prep section contains any pre-session information, such as date, market, session times, position sizes, key news events etc.

The notes section then contains anything I want to record during the session – key analysis observations such as slowing momentum or expected setups; trade entry parameters such as the entry, stop and target prices; psych observations such as your feelings the time of entry. And naturally, anything I feel should be reviewed post-session and anything which I feel is suitable for inclusion in our market structure, lessons learnt journals.

One final point... I find it beneficial for analysis and trade notes to preface each note with the current time, in case you wish to cross reference the notes with a chart.

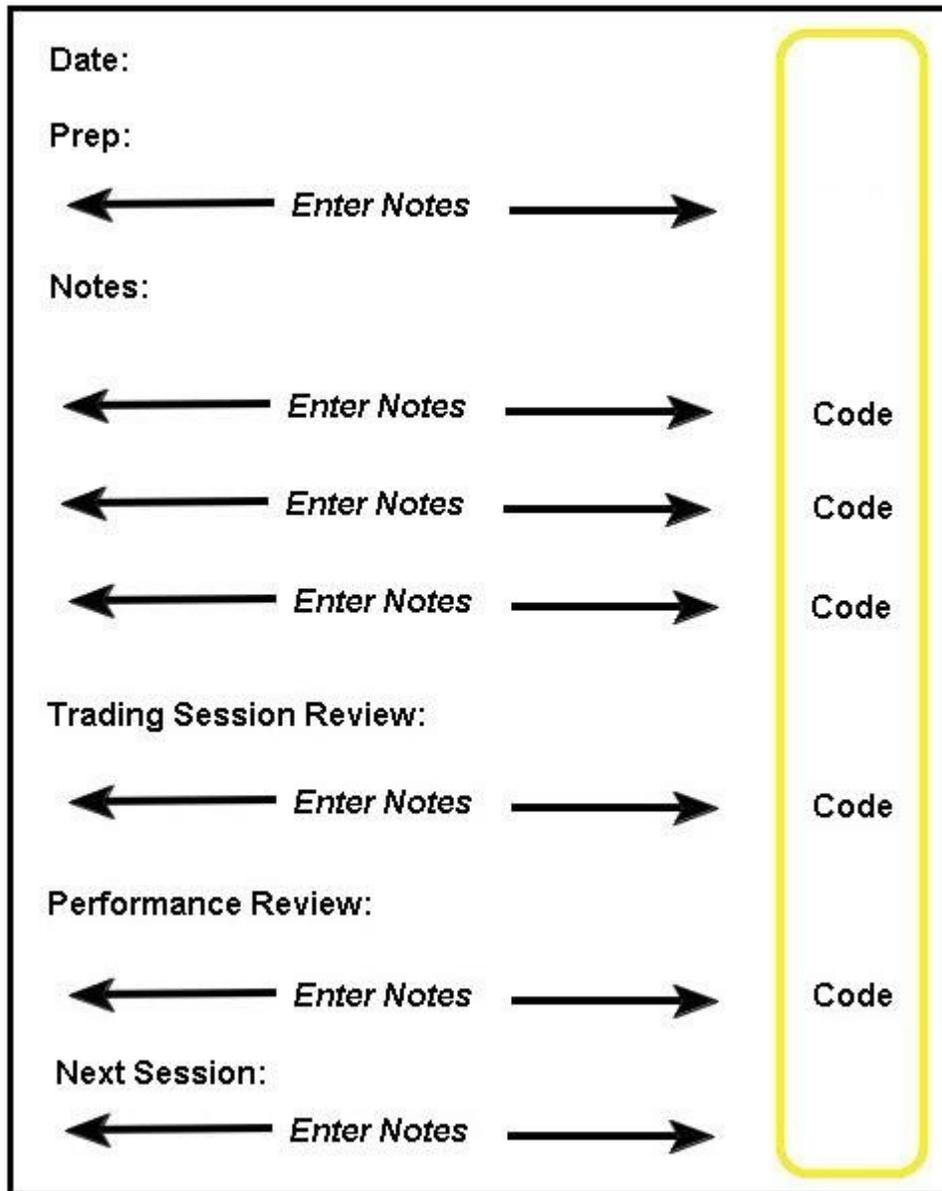


Figure 14.1 – Trading Log

Data is entered under headings of Date, Prep, Notes, Trading Session Review, Performance Review and Next Section, as guided by the procedures manual.

In the margin alongside any Notes or Review text, I place a short code to allow me to quickly identify the nature of this text. Codes are as follows:

Trade-Record-Review-Improve

As professional traders, we aim to implement deliberate practice into our daily routines. Not just during your learning phase, but continuing throughout your whole career. After all, in this game your learning will never end.

We do that through what I refer to as a *Trade-Record-Review-Improve* cycle.

Trade

- Self-explanatory... trade the markets in accordance with your **Trading Plan** and **Procedures manual**.

Record

- Record results in your **Trading Logs** and **Journals**.

Review

- Review your results, considering the 4 key questions:
 - a. **What did you expect to happen?**
 - b. **What did happen?**
 - c. **Why was there a difference?**
 - d. **What can you learn from this?**

Improve

- **Implement improvements**, either through setting process goals for the next trading session, or through amendment to **the trading plan** and/or **procedures manual**.