

Plan Your Trade, Trade Your Plan!

One of the most interesting and fulfilling experiences I have had in my 30 year career as a professional trader, money manager and educator has been my work with the hundreds of professional traders at the Chicago Mercantile Exchange and Chicago Board of Trade trying to make the transition from being floor traders to 'off-floor' or 'screen traders.' For the past 2? years, I've been teaching half-day Market Map Seminars and then acting as mentor to many of these professionals. Some of them have 25 years trading experience and some of them are fairly inexperienced and want to start their career 'off floor'. But all of them want to be consistent winning traders.

Most beginning traders think that they have to find the 'magic' entry method to be a successful trader. When they struggle, they begin hunting for the newest, hottest indicator-the one touted in the advertisements that take that new supercomputer to run, because it's built with 'cutting edge' technology.

Becoming a successful trader depends on a trader finding a tool that helps you spot repeatable patterns. Becoming a successful trader depends on taking the time to master the tool you have chosen to make your own. And most important, becoming a successful trader means you must master yourself. That means you have to look deep within yourself and identify your strengths and weakness. And then put in the work to overcome your weaknesses and play to your strengths. Becoming a successful trader is hard work, but the payoff is well worth the effort.

All traders experience difficulty with self-discipline. A trader can have the best entry tool available and if they can't follow their own rules, they'll likely fail. Successful and profitable trading takes a solid repeatable entry set up, money management, good risk reward ratios and most of all, these things must be planned in advance and then the plan must be executed as the market is moving in real-time.

Inexperienced traders have trouble with discipline because they don't understand just how important it is. The professional traders I work with that are trying to 'relearn' their craft by becoming 'off floor' traders have problems with self discipline because on the floor, they are used to making trading decisions instinctively. But when they sit down in front of the screen to trade, they find it's a different experience and they fall into the same traps that generally trip up inexperienced traders. How can you improve your discipline as a trader?

When I work with traders at the Chicago exchanges, I make them fill out a potential trade entry sheet before they take a trade. The sheet is designed to make each trader think about why they are entering a trade, where in relation to the day's range they are entering a trade, how much are they initially risking on that trade and how much do they expect to make on that trade if it hits their profit target. This forces them to go through basic money management and risk reward analysis. If the entry order gets hit, they then have to keep track of how they manage their orders. Again, this reinforces their money management skills. And last, once the trade is closed out, they have to rate the trade and give a brief description of how they feel they executed that particular trade. Here's what one of the potential trade sheets look's like:

Potential Trade Sheet

Date:		Yesterday's High:	
Contract:		Yesterday's Low:	
Buy or Sell:		Overnight High:	
Entry Price:		Overnight Low:	
Initial Stop:		Initial Profit Target:	
Risk Reward Ratio:		Trade Rating:	
Reason for Trade:	<hr/> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/>		
	Stop Moves:	Profit Target Moves:	
1st Move:			
2nd Move:			
3rd Move:			
4th Move:			
5th Move:			
Actual Exit Price:			
How did I do?	<hr/> <hr/> <hr/> <hr/> <hr/> <hr/>		

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How do I get these professional traders into the habit of filling out trade sheets? All traders are the same: They want to talk about trading and they want to talk to their mentor about their trades. Because I have several hundred traders at the two exchanges vying to get in to see me and talk about their trading or ask questions during my 'open office' hours, I have one rule for admittance: A trader must bring in a completed trade sheet and a chart of the trade or I won't talk to them about the trade or their trading. Sound severe? Trading is hard work and only the traders that are willing to put in the work will survive. I drive this point home day in and day out with this simple technique. Successful traders learn early on to have a plan and then to trade their plan. And the easiest way for me to teach them to 'have a plan' is to make them fill out potential trade sheets and keep images of their charts.

I cannot tell how strongly I recommend you try this in your own trading. This is very much like keeping a trading journal- another great tool that helps instill discipline-but by design, it makes you go through the potential trade, step by step. And by design, it makes you check your entry method, your money management, your risk reward, your order management and finally, it makes you review just how you did on each of these steps for any given trade.

If you'd like a copy of the Market Maps Trade Sheet, just drop me an email with the words 'trade sheet' in the subject or body of the email, or you can email me and simply ask for one. Here's the email address you should use:

tmorge@sbcglobal.net

I'll gladly send you out two versions, a Microsoft's Excel spreadsheet and a Microsoft's Word document. You can use whichever is easier for you!

But more important, plan your trade and trade your plan!

I wish you all good trading.

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