Your Name

TRADING PLAN

Revision # | Month/Year

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Golden Trading Rules

#1. PROTECT & PRESERVE YOUR CAPITAL!
Inexperienced traders enter the markets focused on how much money they stand to make. Professional traders do the exact opposite; they focus on how much money they stand to lose and how they will ensure that any loss is kept to an absolute minimum. Follow the lead from the professionals: protect and preserve your capital.

#2. ALWAYS SET A STOP LOSS. ALWAYS!
One way to help achieve rule No.1 is to set a stop loss. If practicable, do this before opening a new position. Never rely on a mental stop loss. This is the sole preserve of a rare breed of trader: one who is very experienced and consistently profitable. The stop loss lies at the heart of all risk management strategies and is absolutely vital to ensure that you 'cut your losses short'. So, no arguments: always set a stop loss.

#3. CUT THE LOSSES SHORT – LET THE PROFITS RUN!
Cutting the losses short is achieved by always having a stop loss! Additionally, continually ask yourself this question: 'had I not entered this trade when I did, would I want to be in it now'? If the answer is no, then exit immediately. You do not have to wait for your stop to be triggered before exiting a trade! Letting the profits run is down to money management and an excellent exit strategy. Fine-tune these elements of your plan to cut the losses short and let the profits run.

#4. TRADE WHAT YOU SEE – NOT WHAT YOU THINK!
Egos and trading do not mix. The little voice inside your head that tells you what the market is going to do next needs to be gagged whilst trading. Whilst you are listening to him / her, you are not paying attention to what the market is revealing to you. Focus on your charts, your indicators if you use them and the price action. Look at this information and trade what you see, not what you think.

#5. NEVER CHASE YOUR LOSSES. EVER!
After a losing trade it is imperative that the emotions are kept at bay. This can be hard to do, especially if it is a silly error that led to the loss. When you re-enter the market, you will be trading for revenge. If you chase your losses, determined to recover them, the consequences are likely to be disastrous. Almost inevitably, this results in more losses, more emotions and so on. So, never chase your losses. Ever!

#6. NEVER AVERAGE DOWN. EVER!
This follows on from rule No. 5. Commit both these 'sins' and you run the very real risk of a blow-up. The compiler of this document decided to put this theory to the test and lost 70% of his account on just one trade lasting 24 hours. Averaging down is a tactic deployed by long term buy and hold investors and should never be practiced by traders. If the trade goes against you, get out fast. Never average down.

#7. KEEP EXCELLENT RECORDS!
Strategically, it is essential to keep records of all your trades. Not just the profit and loss, but also the reasons why you did what you did when you did. Additionally, many traders keep a journal to record how they felt about each trade. Records act as your personal GPS device and enable you to determine how well you are sticking to your plan.

#8. MAINTAIN DISCIPLINE!
Keeping excellent records will also enable you to see at a glance just how disciplined you are in your trading. Failure to address issues of self-discipline will, almost certainly, be reflected in your trading performance. If you fail consistently in this regard, you have two options: 1. Consider switching to a mechanical strategy, as computers have an exemplary track record when it comes to discipline. 2. Give up trading – it is not for you.

#9. KEEP IT SIMPLE!
Many top professionals use disarmingly simple strategies that are executed with the bare minimum of indicators. Their focus is to maintain their self-discipline and to trade according to their plan. Make it easy on yourself and keep everything as simple as possible.

#10. PLAN THE TRADE – TRADE THE PLAN!
Trading is not gambling; it is a business. However, the trader who enters the markets without a well-conceived, detailed and thoroughly tested trading plan, is no better off than the punter who throws darts at a board blindfolded in order to determine which horse to back.