Keys to Successful Trading

Futures trading requires management of the emotional states. Emotional imbalance impairs the ability to make congruent decisions. The most optimal state is one of complete emotional detachment, to remain calm and to act in accordance with your strategy. That includes negative as much as positive emotions - the key word is to stay "cool". Following are the 20 most important points I believe a futures trader should observe in his or her trading strategy….

1. DISCIPLINE

Like most things in life, without it you won't succeed. Discipline is sticking to your plan, including your "stops" and entry points. It is the hardest, but most important rule of all.

2. KNOW YOUR PURPOSE

Know why you are trading, if it is for the thrill, to make a living, whatever it is…. you will enjoy it more and trade better if you know why you are doing it.

3. TRADE ONLY WHAT YOU CAN AFFORD TO LOSE

Futures trading is risky, so don't fund your trading with money which, if lost, could put you into financial difficulty.

4. MAINTAIN MENTAL CLARITY

One of the keys to successful trading is mental independence and clarity - the ability to free yourself from concerns that might distract you from trading. Whether they be family, friends, or financial concerns, always aim for a complete clarity of mind in your trading. Being clear in your goals and maintaining your mental focus will help you stick to your plan and not make rash decisions based on emotion.

5. WALK BEFORE YOU CAN RUN

Learned knowledge and practical experience in the markets are the best teachers in the longer term. It is best to start with small amounts of contracts and less volatile markets and build from there.

6. DON'T PLACE ALL YOUR EQUITY IN ANY SINGLE POSITION

One of the keys to success in trading is lasting in the game. Don't over commit your account to any single position.

7. ACCEPT THAT THE MARKET IS ALWAYS RIGHT

The market cannot be controlled by one person so it has to be accepted that it will move regardless of what you want it to do. Fear, greed and hope can cloud your vision of the market and can cause emotional responses detrimental to your trading. The market will go where it wants to go.

8. TRADE WITH DEFINITE GOALS IN MIND
Profits belong to those who make decisions and act, not those who react. Your trading plan should not only focus on the best time to get in but also when to get out. This involves setting a view for profit taking or loss minimization. It is better to set a stop for a loss amount and stick to it. If in profit it is a good plan to set a stop to take a minimum profit while still giving the trade the potential for further profit.

9. STICK TO YOUR PLAN
You can and should make minor adjustments throughout the trading period, but don't let the ups and downs of the market affect your overall game plan. Unless the market conditions that led you to place your trade change, don't abandon your original objective.

10. DON'T TRADE TOO MANY MARKETS
Concentrate and focus on a few select markets and completely master them, this is what professional traders tend to do.

11. TECHNICAL ANALYSIS
If you have certain indicators and analysis you feel are worthwhile, make certain you use them in the right conditions, (eg. using a trend following indicator in a ranging market will get you whipsawed). In that case you may be better off using an oscillator indicator such as RSI or Stochastics.

12. DON'T FOLLOW THE CROWD
When the paper calls a bull market it's possibly time to sell. Most traders are uncomfortable when the position is popular with the general public. However the opposite may be true if the "crowd" is made up of mostly institutional traders.

13. ADMIT THAT YOU ARE WRONG
Don't fall in love with a losing position. If you get it wrong, admit it, get out, conserve your equity and wait for another opportunity.

14. LET PROFITS RUN UNTIL YOU HAVE A REASON TO CASH IN
Let profits run until you are given a reason to cash in, whether that be a trading system signal, a fundamental factor or your initial objective.

15. OVER-REACTIONS
Some of the best trades are the ones executed on over-reactions (eg. If the Dow Jones is down 150 points, the SPI may open 60-80 points down). In a lot of situations this will be the low or close to the low of the day, and a profitable buying opportunity can be the result. When the market presents an opportunity like this, be quick and decisive

16. BE CAREFUL WHEN PLACING "STOP LOSS" ORDERS
It is smart to use stops so that losses can be limited if the market moves against you. Avoid setting them at fixed amounts, too close to the current price, or on

obvious support and Resistence Levels.

17. WATCH CAREFULLY FOR MARKET DIVERGENCE

Professional traders are always on the lookout for market divergence. If the market sentiment is bearish but then breaks through resistance levels, it can often be a good indicator to buy.

18. PICKING HIGHS AND LOWS

This is not easy for anyone to do. Instead it is better to ride the trend or movement for as long as you can and look to exit when it is showing signs of losing momentum.

19. KEEP FRESH

Trading can be stressful and if done every day, you can become tired and your judgment dulled. When that happens, you'll begin to lose money. It makes sense to have a break every now and again and do something completely unrelated to trading. This can often give you a new look at the markets and sharpen your trading skills.

20. KEEP HEALTHY

You will think clearer if your trading activities are blended with physical activity. Trading is time consuming and can be stressful, but provides opportunity for growth, both financially and personally, not found in any other arena. It therefore makes sense to give yourself every chance to be successful by incorporating exercise into your trading day.