

Conceiving, Believing and Achieving Realistic Trading Goals

By Roger Felton

Like many traders, I love to discover new, innovative ways to trade that won't fizzle when market dynamics inevitably change. It's no surprise then when traders tell me they want a "winning trading system" that will "keep working" for the long haul. I'm fairly well-known for sharing many of my techniques with any trader desiring help and having the passion to learn. But when we discuss trade setups and strategies, what does the term "keep working" mean? After all, two traders can take the same trade with the same fill yet one trader can lose while the other makes out like a treasure hunter with ESP. How can setting goals have any possible bearing on the outcome of any particular trade, or series of trades? Let's explore this and more as we discuss setting realistic trading goals, their clear connection to trading success and what it takes to achieve them.

When traders call on me because they need help, they often have no clear idea what that assistance should be. Most want a quick fix to what's probably been a long-term problem. Although understandable, it's also an unrealistic expectation. Trading success is a process, not an event and achieving that desired success must always begin with a solid concept, or plan, that must be both believable and achievable by the trader. Creating a list of lofty trading goals without a plan to achieve them is just a pile of worthless wishes and nothing more.



A good trading plan is a logical step by step map of objectives, or goals, and how they will realistically be achieved. It's also one of the most overlooked and misunderstood parts of the trading puzzle. A plan doesn't exist until it's actually written down on paper (conceived) but it should never be carved in stone. The plan must be realistic or it won't be believable. If it's not believable it won't be achievable. It should be fluid because, as your goal-conquering knowledge increases and your critical trading skills are honed, your trading proficiency will naturally increase over time and you will naturally want to increase your trading goals. But again, a plan not written down is a plan to fail and it's hard to make a living as a trading expert in what doesn't work.



One of the most important considerations of any trading plan is the acquisition of knowledge and the conversion of that knowledge into successful trading skills through experience and practice. Great skills beat a great system every time. Take a trader with excellent skills and give them a really strong, robust system and you have a trader who is virtually unstoppable.

So, as you build your Trading Plan of Goal Achievement, it's a good idea to give the acquisition of trading skill serious attention. It's beyond the scope (and ability) of this article to teach trading skill to anyone. That takes time, hard work, self-mastery and plenty of dedicated practice and practical experience. Trading skill can never be achieved by simply watching successful traders, either. You may gain some insight into the system they use, but their actual trading skills can't be obtained by osmosis. However, I can give you some useful guidelines that can help traders avoid many of the pitfalls that can devastate any trader's chance of ever enjoying consistent long-term success.

Let me list the essential components of my personal trading plan in order of their importance to me when I began my trading career. Then we'll discuss them individually so that each is clearly understood. In order of importance (to me) they are:

- ✓ To accumulate the appropriate and necessary knowledge to enable me to consistently make correct trading decisions on every trade.

- ✓ To acquire the highest level of trading skill of which I am personally capable of achieving.
- ✓ To master self-control so human emotions never influence any trading decision I ever make.
- ✓ To develop, purchase or otherwise obtain a system or methodology that ideally fits my personality, my trading style and my trading account.
- ✓ Find a professional mentor.

Entire books have been written on each of these five topics that I chose for my trading plan. Starting with the first, “To accumulate the appropriate and necessary knowledge to enable me to consistently make correct trading decisions on every trade” sounds quite lofty. Does it mean that my goal is win every trade? Not at all. This means the accumulation of good, solid, valuable trading knowledge to enable me to evaluate what markets are most likely to do when a particular confluence of conditions (or setup) occurs. With discipline and practice, trading decisions must be correct even if a trade, or series of trades, fail. The only time a trader is ever “wrong” isn’t when a trade loses, it’s when they fail to do what should be done when it’s time to do it.



As traders gain knowledge, I believe it’s worthwhile to obtain a good working knowledge of Technical Analysis. The proper use of TA can enable you to increase your trade accuracy by acting as a “filter”, of sorts. But traders must be aware that most Technical Analysis indicators are useless. Many of the remainder can have some benefit but it is not enough to justify the added trading complexity that they create. The number of really useful, consistently valuable TA indicators can be counted on one hand.

No trader in the world will know exactly what the market is going to do at every point in time. Most of the time traders can only guess and that’s certainly no way to win for the long-haul. But all markets repeat patterns of one form or another. So your plan must include the pursuit of knowledge and commitment to the hard work necessary to turn that knowledge into consistent profits.

The second item has to do with trading skill. As with the mastery of any difficult task, skill is the result of the proper application of knowledge through intensive practice and extensive experience. As this implies, skill should increase naturally over time but this is greatly dependent on the quality of the knowledge acquired as well how it is applied in real time trading. Knowledge and skill are inseparable qualities in trading, as well as mastery of most other complex and difficult tasks.



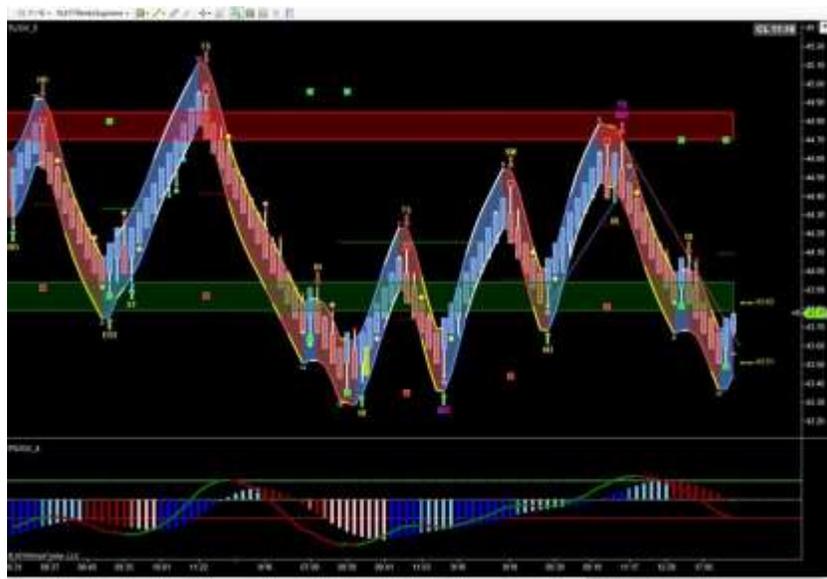
Emotional self-control was placed at number three on my list but its importance cannot be over-emphasized. Trading is like chess in that it’s a totally mental exercise. There’s nothing physical about it. But there’s a world of difference between learning how to master the market and learning how to master yourself. Both are vitally important but, for most traders, self-mastery is by far the most difficult. No trader can succeed without the ability to harness human emotions to the point where they cannot influence trading decisions from entry to trade management to the eventual market exit. No trader can divorce themselves from their emotions short of a self-induced coma. But the negative impact emotions can create can be managed. Humans are by nature emotional creatures so self-mastery takes great discipline, focus, patience and, for most traders, a whole lot of work. A trading plan would be unmanageable and any meaningful success nearly impossible in the absence of strong emotional control.

Once a trader has a professional level in-depth understanding of Price Action (I call it “predictable market behavior”), then the outcome of every trade taken essentially becomes irrelevant. That’s because the odds of trades being profitable are so skewed in the trader’s favor, that there’s little emotional concern when a trade wins or when it loses. When a trader has mastered Price Action and can accurately predict market behavior, mental stress becomes practically non-existent and is replaced with rock-solid, unshakable confidence. Stress and negative human emotions have virtually zero effect on a trader with this level of confidence. To master markets you must first master yourself.

We come now to number four on the list...the actual trading system a trader will be using. This is the item that usually goes first on most traders’ list. It is important. Choosing a trading system can be compared to choosing a spouse. Hasty decisions on important matters usually end badly. After all, your trading system isn’t just a tool; it’s your “trading partner”, your confidant, if you will. Your financial future may very well depend on your system’s ability to crunch a lot of vital data and present it to you instantaneously in a form that will enable you to make successful trading decisions. Of course, without Knowledge, without Skill and without Emotional Mastery, no trading system will ever produce the ROI traders hope for. Whatever system you choose, make sure it fits seamlessly with your personality (aggressive, conservative, etc.), your style (trend trader, position, long-term investor or scalper) and the size of your trading account. If your funds are small, your drawdowns must be also. And always remember the KISS rule, especially in trading.



In my trading, my charts contain only what I need to win. Below is an example of how my charts look. The bars are highly modified Renkos that I created many years ago and, for me, they are vastly superior to any other bar type I have ever used.



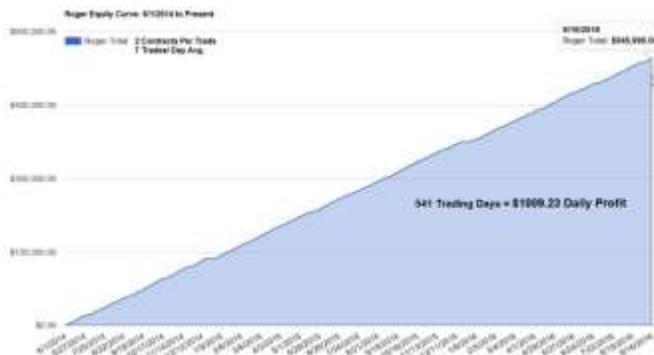
Others must be agreeing as I’m seeing more and more trading platform and system vendors creating similar versions of my Renkos over the last few years. But it’s not the bars or the filters that win, the trader does. Excellent charting is great, but it’s how you use them that counts. I created a unique system called SignalPro that does a great job of automating almost everything. It finds great trade entries and filters them for the best possible accuracy. Notice that each of the filtered entries in this screen cap all contained hundreds of dollars of profit potential and they

appear with plenty of warning. But, when it comes to teaching traders, profit potential is pretty much a meaningless term unless, of course, the student has ESP.

Any trader wishing to learn more about my charts and how I trade is invited to contact me anytime. Info is provided at the end of this article and there's no charge whatsoever.

Traders want to know the precise moment to enter a trade, the exact stop placement and precisely when to exit a trade "to the tick". This software does all that and a whole lot more. A trader can even teach SignalPro to trade for them if they choose. But let's save that for another day and another article.

"The proof is in the pudding" as they say so, before concluding, I'd like to show you what my Trading Plan did for me. Well, it was my guide but I did all the grunt work, of course. But take a look at my Equity Curve for the first half of September, 2016. My daily goal in my Trading Room is to make a four-figure profit trading just 2 contracts on 6 to 8 trades per morning. As you can see, I'm right on track for the month.



But a couple of weeks of success do not a trader make. At least not a professional one. So I've included my Equity Curve for the past couple of years from the data that the team tracks and logs day by day. Be warned that, due to the large timescale involved, the drawdowns are difficult to see. But there were some, they just didn't last long. I'm a fairly good trader but I owe a lot to the system I developed, the software my programmer coded and the work I invested in myself to get to this point.

Now we come to item number five, "Find a professional mentor". When I began trading futures, the CME had just launched the S&P 500 E-mini. As far as electronically traded markets were concerned, that was it. In that arena, I was sort of a pioneer and there really were no mentors on a professional level in existence that I could find. So, I became my own student and, eventually, my own mentor.



Nowadays, there are quite a few pro level futures traders. And some may be available for mentoring other traders. Personally, there are few things I enjoy more than mentoring traders and I guess that's why I make myself available for mentoring sessions 7 days a week. My students know they can schedule time with me for help any afternoon, evening or weekend and I never charge students a fee. If you are a trader who's serious about your career, the best advice I can give you is "Find a Mentor!" It will save you thousands of dollars in needless trade losses and it can trim years off of your learning curve. With just these two amazing benefits alone, isn't it incredible that a mentor is usually the last thing most traders think they need.

Each of the things covered in this discussion are important, some even crucial, to your success. If you can conceive the trader you want to be and you truly believe that trader is within you, then the only thing standing between the trader you are and the trader you can be is having the right plan. If you need help getting started, please let me know and we'll get you on track quicker than you might think.

For more information on Felton Trading or anything you have read in this article, please email Questions@FeltonTrading.com or visit our website www.FeltonTrading.com.