

PROP TRADING

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TRADING PLAN 101



TRADING PLAN FUNDAMENTALS

A day trading plan serves as a roadmap, guiding your decisions and actions in the fast-paced world of financial markets. It helps navigate through volatile market conditions, manage risk effectively, and achieve your trading objectives. Let's delve into the key components of building a trading plan for a day trader.

1. DEFINING TRADING GOALS, OBJECTIVES, AND RISKS

Before diving into trading, setting clear goals and understanding your comfort level with risk is important.



- **Ask yourself:** What do I want to achieve? This could be a consistent income, a boost to your regular earnings, or growing your savings over time.
- **Understand risk tolerance:** Think about how much market fluctuation and potential loss you're comfortable with, both financially and mentally.
- **Set risk limits:** Typically, traders risk 1-2% on a single trade. Using stop-loss orders helps limit potential losses.
- **Consider the risk-reward ratio:** This ratio helps you understand potential profit relative to risk, ensuring you make informed trading decisions.



2. PLANNING TRADING ACTIVITIES AND SCHEDULES

Day trading includes various styles, each unique in approach and risk level. Here are some common ones:

- **Scalping:** Quick trades with small profits, requiring fast decision-making.
- **Momentum Trading:** Following assets moving strongly in one direction with high volume.
- **Swing Trading:** Holding positions for several days to capitalize on expected market shifts.
- **Position Trading:** Holding trades for weeks or months based on long-term trends.



Daily Preparation Routine:

This should include market analysis, reading financial news, monitoring indicators, and reviewing the economic calendar.



Trade Execution Plan:

Identifying trading opportunities, setting entry and exit points, and making informed decisions, regardless of trade profitability.

3. TRADING JOURNAL FOR EVALUATING TRADE PERFORMANCE



A trading journal records all your trades, including:

- ✓ **Strategy used**
- ✓ **Entry and exit points**
- ✓ **Market conditions**
- ✓ **Trade results**



To enhance performance tracking:

- Use the **profit-to-loss ratio** to compare successful and unsuccessful trades.
- Track the **percentage of winning trades** to gauge success rate.
- Regularly review performance to refine strategies and **improve results**.





4. ADJUSTING YOUR TRADING PLAN

Markets evolve, and so should your plan:

- Monitor economic calendars to **anticipate significant market shifts**.
- **Stay flexible** and adjust strategies based on market conditions.
- Ensure your trading approach aligns with your **personality and strengths**.
- Treat your trading plan as a living **document that grows with your experience**.

Importance of Discipline

- **Stick to your plan** to avoid emotional decision-making.
- **Keep a detailed journal of trades**, thoughts, and observations.
- Use **insights** from your journal to improve strategies and maintain consistency.



5. TESTING THEORY WITHOUT RISKING MONEY ON A DEMO ACCOUNT



A demo account allows you to:

- ✓ Practice trading with virtual money using **real market data**.
- ✓ Test strategies **without financial risk**.
- ✓ Understand different order types and **market dynamics**.
- ✓ Develop portfolio management and **diversification skills**.
- ✓ **Build confidence** before transitioning to real trading.

Pro Tip: Treat your demo account like a real one to create a **realistic trading experience**.

