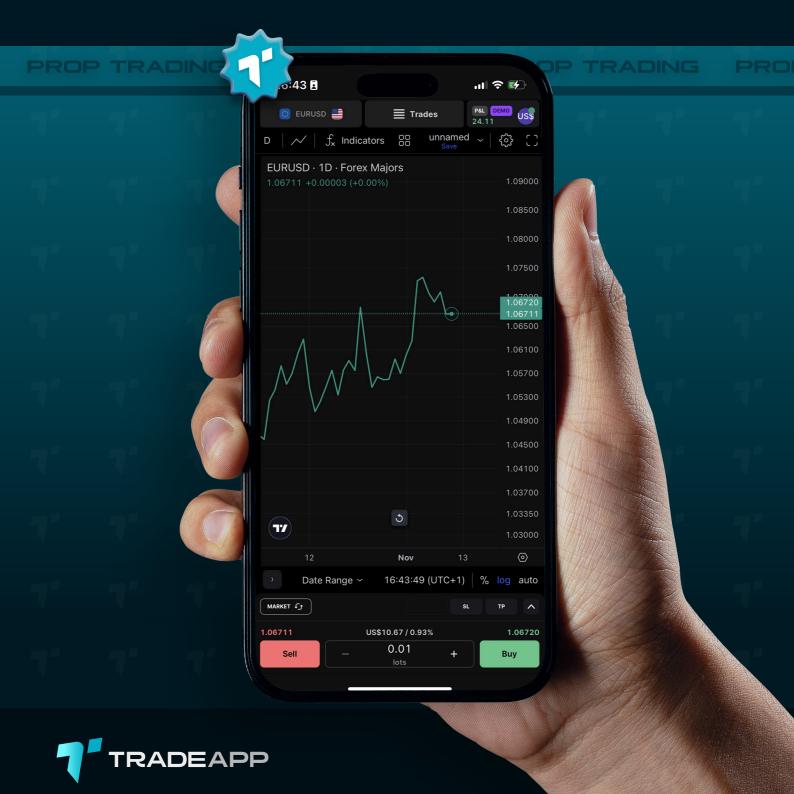
# TRADING PLAN 101



### 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.

