

Monster Trading Plan Survey

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“How Much Are You Losing Using The Wrong Trading Plan Or System”

On the 26th July 06 I conducted one of the largest surveys of traders I have ever done. The survey results are just astounding!

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The Survey

Hi there my little Jedi Trading Warrior,

I want to tell you about a survey I did recently that is probable one of the most revealing surveys I have ever done. It was one of the most revealing because of the sheer number of respondents. When I sent out the survey I expected a good response but I was totally overwhelmed by the sheer number of traders who completed the one question survey. As I write this report, over one thousand traders (1,000) have completed the survey.

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This took me totally by surprise but more importantly, changed how I view you, my subscriber. It changed my view not only because I received so many compliments in the replies but I also realized there were common themes that ran through all the questions.

Even though I had so many replies I found that most of the questions were actually similar. That really made me think. It made me think because I was only addressing some of the things that my subscribers wanted answered. In short, I think I learned a lot about what traders really want.

To everyone who took part in the survey – Thank You for taking the time.

The Question

This was a sort of unusual survey because I only asked one question.

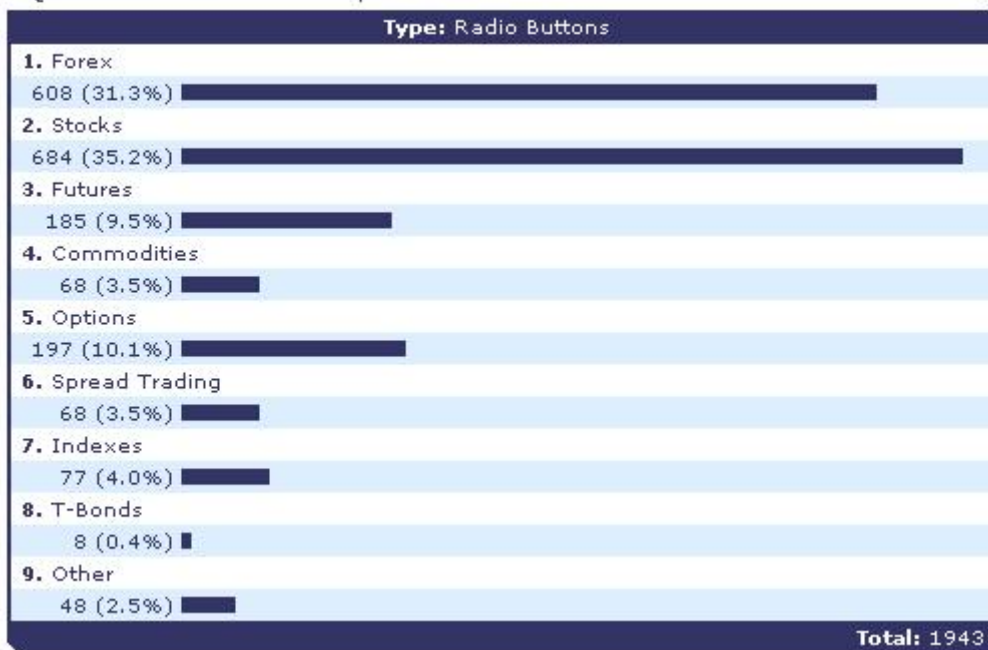
If we had the chance to spend just one hour with each other, what would be your most important question about trading I could help you with.

The reason I asked only one question was because I **THOUGHT** I knew a lot about my subscriber already. You see, I had done surveys before and I thought I was getting to know my subscribers but this particular survey made me realize that I had been asking the wrong questions.

The reason I had been asking the wrong questions was because **I** was asking the question. I had my own preconceived ideas of what a trader needed to know. As an example:

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* Question 6: What market do you trade.



As you can see, I asked the question “What market do you trade” in a previous survey. Now that’s a good question because I need to know what markets my subscribers trade in order to talk the same trading language. The problem is that it doesn’t tell me anything other than what market you trade. It doesn’t tell me what is worrying you or what problems you are having.

That’s why I decided to ask an open ended question. Rather than ask my subscribers what I thought they were having problems with I wanted you to tell me how I could help.

The replies to the survey was vitally important to me because I am about to launch a new trading course. One that I have spent months working on. I knew that it was technically great and that the techniques inside the course could be followed and applied by any trader but what if I had missed something?

Rather than second guess my subscribers I decided I would ask them how I could help. This way I could make sure I didn’t leave anything out in the course. BY the time the course is released in a few weeks it will be one of the most comprehensive courses in Day Trading anywhere.

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Money Management

Typical Questions:

- How to choose the best money management strategy based on the nature of the entry/exit methodology and back test results.
- How do I determine the optimum money management for a given sized account?
- How can I design my own money management system that works for me and for my style of trading?

Answer:

Money management was one of the most popular questions. I should have expected this question because you only have to be trading for a short time to realize that money management is more important than the method or system.

If you tell new traders this, they just look at you blankly. All they want is a plan or system they can trade the next day. Let me just say this again – money management is more important than the method or system.

Determining what % of capital you should risk is actually a function of your hit rate. E.g. if you win 80% of your trades consistently then you could risk more than if you win 55% of your trade consistently.

You also need to know the maximum amount you can trade. In order to do that you need to know your maximum drawdown recovery rate.

Look at the table below:

Loss Of Capital As A %	% Required To get Back to Break Even
10%	11.11%
20%	25%
30%	42.86%
40%	66.67%
50%	100%
60%	150%
70%	233%
80%	400%
90%	900%
100%	Blow Out/Broke

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Drawdown recovery can confuse many traders. If a trader loses 20% of his account, he thinks he needs to make 20% in order to get back to even.

This is, in fact, not true. If you started with \$10,000 and lost \$2,000 (20%) you would need to make 25% in order to get back to even. The difference between \$8,000 and \$10,000 is \$2,000. If you calculate the \$2,000 as a percentage of \$8,000 (not the original \$10,000) it works out to 25%.

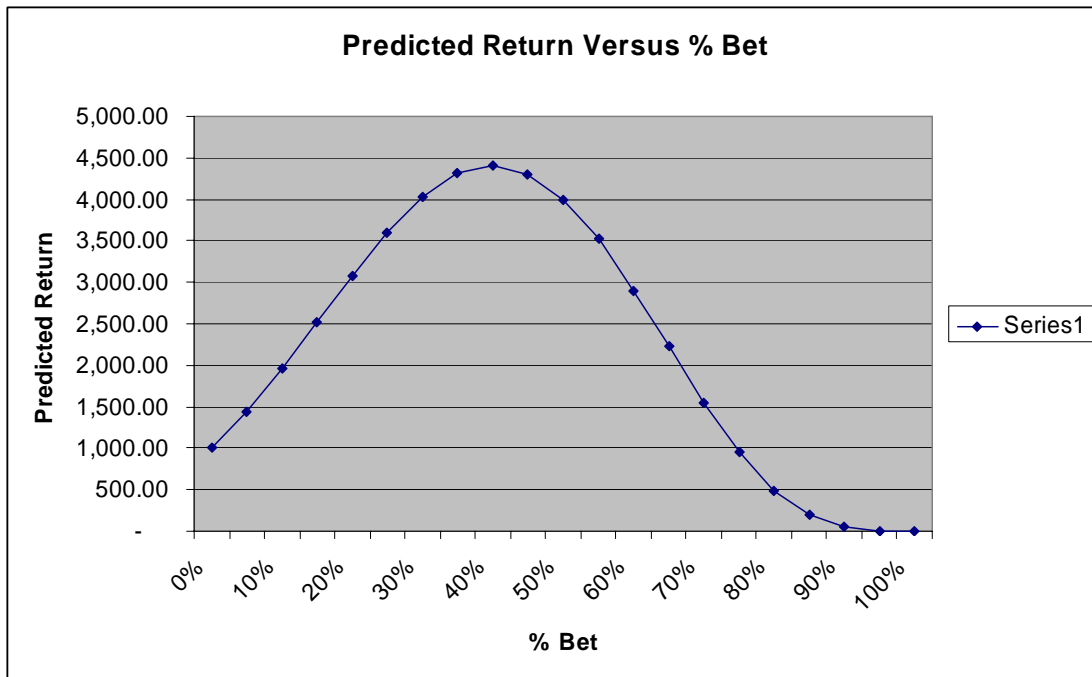
The next most important fact about money management you need to know is that nearly all traders have skewed results. That is to say, a few big winners over the month will make up most of their profits. For example, you might have a situation like this: +20, +20, -30, +25, -10, +100.

You see, your results don't come in nice little bundles of 20 pips. They tend to come in bunches of a few big winner and lots of little winner or losers. This is mainly because most traders are trying to catch a run. The little winners and loser are usually the result of traders trying to position themselves into a decent trade.

Back to money management. You also have to be aware of the fact that if you trade more than one thing at the same time, that has to be taken into consideration. If you are trading 5 stocks or 3 currency pairs you have to take into account the total risk if you lost all those positions.

I am going to give my new course a bit of a plug here. Below you can see one of the diagrams I use to illustrate a way of calculating your optimum trade taking into account all the things we just discussed.

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Let me summarize good money management for you.

1. Always risk the smallest amount you can. Work on worst case scenarios every time. How much money would I need to stay in the game if I had X number of losses risking the amount I am just about to trade. With X being the maximum number of losses you have ever had trading your plan.
2. The first rule of money management is to protect your capital. You must calculate your potential loss based on where you will place your stop loss.
3. Most traders stop trading because they run out of capital before they learn enough to make money. Your main priority when you trade is not to lose money, it is not to make money?
4. Using a stop loss is one of the few things you can control. You never know for sure when you enter a trade if it is going to be successful but you can know for sure how much you are going to lose by placing your stop loss.

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Stop Loss

Typical Questions:

- Why is it that almost every time that I actually put on a trade, the market almost always goes against my position and when you don't do the trade and just "put in your mind that you entered the trade", it works !
- When I enter a trade I always get out with a small profit and 15 minutes later, had I not gotten out quickly, I would have made big profit.
- Where is the best place to put a stop loss if you are swing trading?

Answer:

The humble stop loss is probably the most misused thing in trading. If you are not trading with a stop loss then you are gambling. If that's what revs your engine then fine but you wont make money.

Now I have had this argument with a few traders that there is some evidence that trading without stops will actually be more profitable if you are using a system but most traders don't have a system yet alone a plan.

The only reason some traders don't like using a stop is because they have not actually taken a loss until they close the position. In other words they reason that if they are in a losing position it might just get back into profit. A stop loss forces you to take the loss when it gets hit. A lot of traders don't like this.

Let's look at the stop loss for a minute. **You should place your stop loss where you don't expect the market to go.** In other words if you have entered long for whatever reason then your stop loss should be far enough away to give the market room to breath without getting hit. If for some reason you change your opinion of the market or the market tells you that it is going in the opposite direction from what you thought then close the poison.

Side note: traders, especially Forex traders have the habit of placing their stop too close to market. They want to have a 10 pip stop loss every time they trade and wonder why when the market burps they get taken out.

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Your stop loss must be placed in a logical position. You can use a dollar amount but you must have had enough trades with your trading plan to know that e.g. most of the time that dollar amount allows your plan to work.



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Fig B



If you look at the Fig A. with the swing points marked on the chart you can see one possible method of placing your stop loss. In Fig B. You can see three other method of placing your stop loss.

You see there is no right place to place your stop. It depends on your trading plan. You have to have a carefully thought out plan. In this plan you should use the same methods for placing your stop loss. You might use indicators to get into a trade. You might use support and resistance to get into a trade or whatever. The thing is that if you have a plan that you are following to get into a trade then part of that plan is where you place your stop.

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You might for example say I am going to enter a trade every time indicator X does this. As soon as I place my trade I am going to place my stop at Y. To determine Y, you must have first come up with a plan and either back tested how many times you made money without Y being hit?

Psychology & Discipline

Typical Questions:

- How to consistently remain cold-bloodedly objective about any trading position taken in terms of both running with the profits and cutting a loss without considering it a personal failure.
- How does one get over certain psychological barriers in trading?
- How to keep in the right mental state when you are experiencing a draw down of your account and you begin to question your abilities.

Answer:

I had some great questions on this topic and it's a big topic. It is said that trading is 70% psychological and I believe that. You see, it doesn't matter how good your plan or money management is, if you can't pull the trigger or keep second guessing yourself then you still won't make it as a trader.

When I first trained in London all those years ago, an old trader told me to paper trade (trade without using money) for six months before I used real money.

Well, the next week I had my account open and was trading. Within a week or two I had lost my account.

It's easy to look back in hindsight and think what you should have done but if I could advise any new trader, I would tell them not to use real money to trade with for at least the first three months. I know the world has moved on and you can now trade mini's and small lots without risking too much but the word here is "slowly".

Money is hard to make and easy to lose. Of all the trader I have trained over the years, I only ever came across one trader who actually did take the time to learn and practice for three months before risking any of his own money and that is actually my long suffering sidekick, Danie.

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I would also say that if you have been trading for a while and it's not going your way, take a break. Take three months out to really research a method and paper trade it.

So why take time out to just paper trade without using real money? Well, most of the discipline and psychological problems in trading stem from the fact that you don't believe in the way you are trading.

That is not to say that even when you are a seasoned trader you don't get nervous and tense sometimes. Gurus will tell you that you should be totally unemotional about every trade and that is your goal. The more mechanical you can be in your trading the better results you will have.

The only problem is that we are not all built like that. I still get anxious for the first few weeks if I move up in the number of contracts I trade until I get comfortable with it.

I think the secret here is to address your fears. Acknowledge that you are worried or nervous and learn how to deal with that.

I can tell you that in the early days when I was going through money like water and I was convinced someone was moving the market in the opposite direction every time I made a trade, I felt like crying sometimes.

Over time, as my trading improved, I slowly became more comfortable with how I felt and now even though I still get those twinges, I don't go through the emotional roller coaster I used to go through.

One thing that really helped was to drop down on the amount of contracts I traded. When I first started trading there was no such thing as a mini account where you could trade very small amounts. When they first came out I opened an account with the intention of using it to test ideas.

As I was only risking \$1 a pip, I didn't really care what happened to it. If the market moved 100 pips against me, I would only lose \$100. There were even times I forgot I had a trade on.

What happened next surprised me. Because I didn't care what happened, I wasn't emotionally involved. The strange thing was that I was having great results. I would make a decision, place a trade and remind myself to check back on it in a day or two. Because I wasn't second guessing myself, I found that I had a much better success rate. The, I don't care attitude is actually close to where you want to get to in trade.

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I don't mean you shouldn't care about your money, I mean it shouldn't overly affect you emotionally.

Remember this, even if you become a Billionaire through trading you will still be the same guy. If you were a nice guy before you started trading you will still be a nice guy whether you make it or not. Trading does not define you as a person.

To help with discipline, think about this. You can only ever get better at trading if you measure your results. The more fixed things you can get into your plan the easier it is to measure. Let's say you have come up with a plan with some rules. You want to measure the success of those rules over a number of trades. The next time you feel like just going for it, remember that the trade won't fit into your plan and all the measurements you did will be ruined if you break even one of those rules.

As a discretionary trader your mind is working overtime all the time. You are competing with some of the best minds in the world. If you have just had an argument with your wife or you are just having a bad day, don't trade. There is no rule that says you have to trade every day. Take regular breaks. Trading because you are under financial pressure is the worst possible way to trade.

If you are trying to pay next months mortgage by trading and you still don't have your act together, don't, it won't work. You must be free to take impartial trades based on the market conditions not on whether you have to make money.

Without getting all touchy feely on you, I had one of the top mind guys make me two mp3 recordings to help traders overcome the discipline and psychological problems that most traders encounter. I will include those in the course.

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Trading Techniques

Typical Questions:

- What are the best technical indicators for FX and how many should I utilize for any given trade?
- What is the best indicator for trading stocks?
- How do I come up with a profitable trading plan?

Answer:

Obviously these type of question were going to come up. It is natural for anyone trading anything to want to know how to trade profitably. I also had a few of the usual culprits e.g. how do I trade with a 100% accuracy and how do I make 100% per month.

Most reasonable traders would not expect to trade with 100% accuracy. In fact I would argue that it is mathematically impossible.

Think of this - double a dollar 20 time and you have over one million dollars.

\$ Dollars \$	Doubled
\$1.00	\$2.00
\$2.00	\$4.00
\$4.00	\$8.00
\$8.00	\$16.00
\$16.00	\$32.00
\$32.00	\$64.00
\$64.00	\$128.00
\$128.00	\$256.00
\$256.00	\$512.00
\$512.00	\$1,024.00
\$1,024.00	\$2,048.00
\$2,048.00	\$4,096.00
\$4,096.00	\$8,192.00
\$8,192.00	\$16,384.00
\$16,384.00	\$32,768.00
\$32,768.00	\$65,536.00
\$65,536.00	\$131,072.00
\$131,072.00	\$262,144.00
\$262,144.00	\$524,288.00
\$524,288.00	\$1,048,576.00

If you carry the equation on for a few months you would have all the money in the world. As far as I know, no one has ever accomplished this feat.

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Making 100% per month is the same thing as doubling your stake every month. No one has ever done it.

If you want to be a professional trader you have to come to terms with the fact that the vast majority of professional traders make a good living and a select few make it big.

The ones that make it big have come up with a system or plan that works with good money management and just scaled it out e.g. they probably spent a few years really testing and trading their plan until they got to the stage where they just took bigger and bigger trades.

I know lots of little traders who have a great life that you would probably call middle class. They have a nice house, nice car and pay there bills like everyone else. You wouldn't call them flash.

I only know a few traders that I would call big and by big I mean that they have a serious house, a top end car and probably pay more in taxes in a year than most people will make in a lifetime.

By the way, of all the successful traders I know, the vast majority of them have really simple trading plans. There is a secret there if you think about it!

Most traders over complicate trading! I have done this myself. I once had a method of trading that required eight charts and ten different indicators. It got so bad I couldn't remember why I had a particular indicator on the chart at times.

Remember this. A market can only do one of three things.

1. Go up
2. Go down
3. Go sideways

All you are trying to do as a trader is determine what one of those three things the market is doing and trade it.

Have a look at the chart below. The grey box on the right are just a few of the indicators that are available (I use esignal.com for my charts). The funny thing is, none of the indicators work by themselves. I have never traded using an indicator the way it was meant to be used and made money. That is not to say someone out there isn't making money using a

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particular indicator, all I am saying is that I have never found this to be the case.

You Only Need One Thing In Trading That Works To Right Your Own Ticket!



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I know most of you would like me to go into the way I trade and the methods that work at this stage but I have to save it for the course. The techniques and plans are just too valuable.

General Questions

Like I said there were thousands of questions but below I picked a few that I thought might help some other traders.

Question:

I'm new to trading so I would like to know what are the most essential things that I should know to start trading.

Answer:

Don't be in a rush. You wouldn't expect to become a doctor in three months so don't expect to start trading and become an expert overnight. Take the time to learn this profession. Invest in your own education. When you start, allocate a portion of your trading capital to educating yourself.

Question:

Do indicators really work? There are hundreds of thousands of people trying to trade the markets using conventional technical analysis using the usual suspects of RSI, MACD, OB/OS etc, but less than 5% make any money. The evidence clearly refutes the use of these time-based indicators as profit generators. They provide signals too late and certainly cannot be used to predict any kind of move because they are derived from price and therefore follow it. The key question then is: how can one determine what the professional market manipulators are going to do before they do it? Forex markets can move 100 points in just 15 minutes and the professionals are out to set the small investor up for a hiding every day, this is where their profits come from.

Answer:

Great question and I couldn't agree with you more. Indicators by themselves just don't work but combining indicators or using them in a different way can.

For the other part of your question, there is a reason the FX markets and other markets experience fast sudden jumps like this. A lot of these moves are the result of economic announcements e.g. non farm payroll can move the FX market hundreds of pips in a few minutes. I cover news and fundamental approaches in the course.

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Question:

Can you show me an easy to follow and simple trading system that consistently makes a profit?

Answer:

This depends a lot on you. I can teach you how to paint but I can't teach you how to be a Rembrandt. In other words, I have shown people how to trade and come back to check on them a few months later and they are doing something entirely different. On the other hand, I have shown a few people how to trade who have been trading successfully for years now.

Question:

What time frame do you trade?

Answer:

Knowing what time frame you should be trading that fits you psychologically is a very important part of trading. You have to feel comfortable trading that time frame. I have traded everything from tick charts to monthly charts. I now feel comfortable trading daily charts using a lower time frame for entries.

Question:

How to master one strategy that works.

Answer:

That is the million dollar question my friend. But the answer is in your question. Concentrate on one thing, one plan, one system. Take the time to learn one strategy thoroughly. Don't jump around from one thing to the next. Try buying a few courses and see if they make sense to you or that you can adapt.

Question:

How do I spend less time at the screen and move to long term trades?

Answer:

Make the market work for you. Find the time frame you would like to trade and make your trading plan around that. If you work full time and can only trade using daily charts by checking your position when you finish work then trade daily charts. I highly recommend that every trader start with a longer time frame anyway. Adapt your plan to your lifestyle. A good plan should be able to be traded on any time frame.

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Question:

Development of effective trading plan.

Answer:

I hope to answer that question in my next course. But briefly, the plan should suit your lifestyle. The plan should incorporate a reasonably simple technique. The plan should have good money management principles.

Question:

How do I get started without a lot of money to invest?

Answer:

Nearly all traders I have ever come across are under capitalized when they start. If you are short of money, don't trade. If you can't afford to lose what you are trading without it affecting your day to day living then it is not the right time for you to start trading.

Just keep studying and reading all the free stuff you can get your hands on. Use the Internet to find free stuff until your financial position changes.

Question:

I know there's different strokes for different folks, but in your opinion, what is the best type of trading, Day, Swing or Position, and why?

Answer:

It depends a lot on your personal circumstances. Are you in a financial position to dedicate all your time to trading? Are you comfortable trading that time frame? There is no best time frame that makes more money than another time frame. I know traders who trade weekly charts who make as much as scalper and vice versa. It's a personal choice.

Question:

How to trust what you see from your indicators.

Answer:

Testing – by testing what you see over and over again you will get to know if the indicator is telling you the truth. If you see the same setup with an indicator e.g. divergence on stochastic at the bottom of a trend 100 times and X happens you will get to trust that setup.

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Question:

How long does it take to become a successful trader? I've been trying for years, using many different strategies and I still struggle to even break even (but usually lose). Sometimes I feel that there's a greater force preventing me from succeeding!

Answer:

I hear you brother. Don't become disheartened. There is no set time to become a successful trader. For some it will happen quickly and for others it takes longer. I myself took many years to learn how to trade well. I also taught a young guy who picked up trading very quickly who within six month was trading all over the world just using his laptop.

If your trading isn't going well, take a break for a month. Really look at what the problem is. Is it you – are you not disciplined enough or are you letting your emotions get in the way or is it your trading plan. Sometimes walking away from the whole thing for a month can make all the difference. I have done it in the past.

Some Thoughts

I really appreciate all the feedback I got from this exercise. It means a lot to me that everyone took the time to fill in the survey? I also learned a tremendous amount from the questions but most of all it humbled me. It reminded me that we are all the same, with the same worries, fears and hopes.

“Surefire Trading Plans” Release Date – Tuesday 22nd August 06

Well, launch day is almost upon us. I can tell you that if it wasn't for some major event happening in my life, this course would probably never be finished. I started writing this course at the beginning of the year and I just got caught up with trading and life in general.

The course and reports contain some of my best work ever. It has the most accurate techniques I have ever used and what's more, will teach you how to do this by yourself. By the end of the course not only will you have tried and tested trading plans but you will also be able to build your own plans.

Here are some question about the course I thought might be asked.

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Why Did you Call It Surefire Trading Plans?

I called it this because it contains more than just one plan. I wanted to offer a few plans that I use because one size does not fits all. The logic behind each plan will be reveal along with the rules that make them work. At the same time, I didn't want to overwhelm traders with too many techniques. Just the very best.

How is this different from your other courses?

I concentrated on the methods I am using right now. Just like everything else, I am evolving as a trader. I am continually looking for better results.

The plans inside the course are some of the best tactics I have ever used. In previous courses I also concentrated on Fibonacci techniques. There is no Fibonacci in this course, just plain and simple plans that work.

Good Trading
Mark McRae

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Release Date – Tuesday 22nd August 06

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