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## How To Lose Money

I read somewhere that when Michael Jordan was making an advert that required him to miss the basketball hoop a number of times; he just couldn't do it, he couldn't not get the ball in the hoop. I have for a long time thought that it would make an interesting futures trading exercise to try very hard to lose as much as possible. I imagine that when we try to lose as much as possible it won't be as easy as we imagine.

The problem with this exercise, if I was to give it to a group of workshop delegates, is that they would quickly realise that the easiest and surest way to lose money in the Futures Markets is to repeatedly buy the offer and sell the spread. That way they would be constantly losing the spread and their losses would rack up quickly. This, I thought, would defeat the object of the exercise, until I realised what a great insight this is. If paying the spread is the best way to lose money trading futures, surely not paying the spread is essential to making money.

A lot of traders will say at this point, what does a 1 or 2 point spread matter on a trade that will make 40, 50 or 70 points profit? The answer to that comes down to what your average profit per trade is, because your average is going to be a lot smaller than the biggest (naturally); and the average is usually surprisingly small for an active day trader. When you look at the average, the impact of the spread takes on a new meaning.

Perfectionism/Procrastination

I received an email from a trader who has developed a futures trading system that he is happy with, but finds that when it comes to taking the trade he doesn't. I think that the answer to the issue of procrastination and hesitation depends on whether you are a system trader or a trader who responds instinctively to the market as it unfolds.

If you are a system trader then the objective is to focus on executing the orders when the system generates a signal. You are more like a broker executing client orders. To do the job well a broker needs to focus on being highly efficient, they are normally rewarded for the execution, not according to the results of the trade. If you were employing someone to execute your system trades you would want to find a way to reward them when they execute the trades efficiently (like a broker) so that they are motivated to trade the system flawlessly.

The problem for the system trader (trading their own system) is that their motivation is to make money (and more significantly to not lose money), so they can't help but to try and second-guess the system to try to improve it (usually disastrous). What a system trader needs to do is motivate himself (or herself) to trade the system flawlessly. For example treating yourself after a day of successful system execution regardless of whether it results in a profit or a loss.

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