

What is a Trading Plan?

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A trading plan is a complete set of rules that covers every aspect of your trading life. A trader with a plan starts with an edge, as he will perform a lot better than someone without one. Many amateur traders do not have any plans at all, and when they enter the market they have absolutely no clue whatsoever about what they have done and why? There is an old saying in business: Fail to plan and plan to fail. If any of you are really serious about succeeding in Trading, you should follow these eight words as if they were written in stone. Ask any trader who makes money consistently, and he will tell you that you have two choices, either you automatically follow a trading plan, or you fail. If you have written a trading plan, then congratulations! You are in the minority. Whilst it is still no absolute guarantee to success, you have eliminated a major roadblock. If your plan uses flawed techniques, your success will not come immediately, but at least you are in a position to review and modify the course. You will be able to monitor your performance. Whilst a trading plan will not guarantee a success, as the success would depend on a Trading strategy and a trading system that you use which itself is a component of a trading plan. However, a good plan, which is followed by the trader, will surely have a chance of greater success and he will be able to review the plan if any of its components were not working the way it was anticipated. In his site Trading Online, Alpesh B. Patel writes, While a plan cannot predict the future, it can lay down how you react to the possible outcomes. This is why a plan is essential. It is a list of strategic responses to events beyond your control. You control the only thing you can control yourself.

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