30 Minutes to an Optimized Trading Life

Forget the Hypotheticals – Incorporate These Critical Concepts into Your Daily Trading Life and Power Up Your Performance and Portfolio

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Fellow Trader,

Welcome to "**30 Minutes to an Optimized Trading Life.**" We use this name since everything we focus on here comes from real experiences making real trades – both by us and by thousands of traders from around the world we've worked with through the years. These are real steps you can take now to power up your trading plan. It won't take long to read this document; it's not designed to consume your day or week. Take 30 minutes, and power up your performance.

You know the casino is referred to in the gambling world as the "house." Those that typically control the business, provide the games, manage them and of course take a cut of every transaction. Sound familiar? This publication is about how you can turn the odds to your favor, both by understanding the challenges and making changes to your approach. Your goal is to "bring down the house" – the house being everyone else who wants a piece of your portfolio, or all of your portfolio. Take the edge back from the brokers, other traders, even figure out what you yourself are doing to prevent profits and success. The goal is to focus on concepts, techniques and resources that will immediately convert to an improved bottom line.

This is not meant to be a long dissertation on technical analysis. We're not going to have endless charts that describe moving averages, candlesticks and divergence. Nor are we going to define for you in these pages a glossary of terms from what is the Nasdaq to how the Forex markets work.

You probably already possess countless works on those subjects that line your bookshelves at home, or at least certainly make up many of the bookmarks on your computer. And if you don't? There are so many resources both off and online that accomplish this that it would make no sense to attempt it here.

Instead we wanted to take a different approach. To identify very specific topics that aren't always covered, or if they are, take a different approach to them. Our objective in everything we do is to give you that much more of an edge. These "nuggets" come from many years of experience from our staff and from interacting with thousands of traders from around the globe. We have probably talked to virtually every type of trader over the years and we know from firsthand and second-hand experience that there are some unifying factors that lead to success and failure.

All of us have fallen victim to many of the mistakes, and hopefully pursued many of the solutions you'll see detailed within. In fact, to this day it is always an ongoing to battle to balance trading properly – to avoid the same errors that have gotten all of us in trouble in the past – and sometimes the present!

At times we might be discussing specific markets such as stocks, futures or Forex, but you'll find many of the same theories will apply regardless of what you trade so work through all of it at your leisure.

We've assembled this information in just a few key sections – the idea here being to get to the point, give you tips that make you money and move along.

1. When to Trade and What Timeframes to Trade?
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When to Trade and What Timeframes to Trade?

An important key to trading successfully is to only trade the timeframes that will yield the greatest success for the least amount of time. Any of us can trade, or attempt to trade, every waking moment the markets are open. In the case of the Forex you'll need a lot of coffee and the ability to get by on no sleep. With the stock market or futures you'll need amazing endurance especially when the markets get sleepy. This is primarily if you actively day trade or swing trade intraday.

Of course, if you are trading off daily charts you might be able to get by with far less effort – a reason that many choose to swing trade rather than day trade - but realize you are also going to be able to "turn" your funds less often, and when swing trading you have to balance the fact that the time between your losing trade and next winning trade is going to be longer. In day trading you might take a loss and then 5 minutes later wipe that feeling away by trading profitably. If you are trading off of daily charts, or even longer weekly charts, you might go a few weeks before you even get another set-up.

This is a primary difference and one you have to keep in mind. Day trading is typically more challenging – both in the workload and the frequency. However, you have the advantage of each trade basically being less important. And you can quickly wipe a bad experience away since another set-up is probably literally developing at that time.

Swing traders have an easier life when it comes to waiting on the set-ups and taking trades, but realize that if you take a few losers in a row, that could be over several weeks and you have to do a better job with the mind games and trading psychology because it could be just two or three losers but the longer time element could wear on you.

So, how do you find what to trade and what timeframe?

We feel it's actually best to find a mix that works for you. If you can trade using a specific method that will work in both day trading and swing trading it gives you amazing flexibility. You'll be able to master one trading approach and then apply it in the timeframes that make most sense for you in your current lifestyle.

Suppose you like to do a lot of day trading but are about to embark on vacation or begin an import project at work. Wouldn't it be ideal if you could slide into some swing trading to keep your capital at work but without having to do anything intraday? Then, when your schedule returns to normal or you have some hours available one morning, you can mix the day trading back in. Certainly you could focus on one or the other but we've found the most successful traders are those that have been able to use one unifying strategy, customize it for the markets they choose to trade and have the flexibility to choose the timeframes that fit their current schedule. Remember, you are supposed to be running your trading plan; it is not supposed to be running you.

What about time commitment?

There is this overreaching human condition that makes us believe that we have to work huge hours to feel like we accomplished something. You need to break that habit, and break it fast. When it comes to trading it is not a measure of success if you put in eight hours today trading, or if you obsessed for three hours in the evening over your next day's swing trades. You should approach your trading plan with the eye on putting forth the least amount of effort for the return. If you put in too much time and effort, forgetting the stress and strain, you'll simply be left with a lower return for the efforts. Those of you who instead focus on key timeframes and have a specific strategy know that they will sit down for x amount of time, follow that plan and be done. Time to move on.

This is why we termed an important part of our money and trading management "***The Power of Quitting.***"

Typically in trading you do not want to use anything negative – and quitting certainly sounds negative. However, we have found that this is one of the most important factors between success and failure. In our day trading, we have come up with a plan that we follow, and we use this Power of Quitting concept and personally have set it at "two wins" – this means when we reach two wins in a trading day and are profitable we quit. We're done. We even have markets where we call it after one win. The caveat is we keep going if we are negative. We want to give ourselves a way to dig out if the first few trades aren't as cooperative. There are those who have added a losing side to this as well; they might trade the two win strategy but add in two losses as well – or three, etc… If they hit that, it is like a circuit breaker for the day to stop. We've found that for the most part, if we are using a strategy that has put the odds in our favor when we take every trade, that we can just focus on the Power of Quitting on the win side. For us, that works since we know when a trade is taken, the odds favor us it will succeed. That does not mean for a moment that we feel every trade is a lock for profits. Absolutely not.

You have to accept, right away, that trading is a game of odds. Not everyone likes to hear that because that might imply gambling but let's call it an educated gamble. It is a gamble because as much as you want to believe that all of your chart and fundamental analysis has figured out the market or stock or commodity you are trading, the simple truth is that we are trading from within a glass booth, nobody can hear us, and we have absolutely no influence on what happens in the markets, none at all. It would be like going to a sporting event where you yell and scream for your favorite team, but you are sitting in the glassed-in luxury box. You can yell all you want at the glass and television but nothing you do will influence what happens on the floor one bit. Same goes for trading.

We always accept the fact that we should trade in a way that we stack the deck as much in our favor as possible, take the trade to the plan, then after that it isn't up to us any longer. We know when we do this right, the odds are favoring us, and even if it doesn't work out one time, two times, three times or more, that it will eventually work out, and over any longer stretch of trades, we know we'll be fine.

Yes, it's never easy when you are going through those inevitable negative streaks. And on paper when you see results and see small losing streaks you always tell yourself that you'd have no problem with that. Once you go live though? Another story. Suddenly that losing streak of four trades is unbearable. You do what many do: you radically change your strategy, you blame the markets, the strategy, the indicators, maybe yourself (though unlikely) and the dog. Then you make the even grander mistake of trying to chase performance with something else.

When you do that, that's exactly when the strategy you just left wins eight out of nine trades and is way ahead over the longer stretch of trades. You started trading a strategy you weren't familiar with, made mistakes and caught a losing stretch with that strategy. Now you have just amplified a problem and made it worse – the spiral starts and the account wipeout is well on its way. Don't think this will happen to you? If you have traded for any length of time you have followed this cycle. We've done the exact same thing. It is in some ways a rite of passage for most successful traders. If you have not gone down this road you either have amazing discipline, or you have just started trading. In either case, if you can avoid succumbing to this emotion you'll take years off your success plan.

How do we resolve this?

One, we make sure we are trading a strategy that ideally can help us succeed in a combination of markets. This is important because certain markets get very hot for a while, then cool down and become more difficult to trade.

Think about stock trading. Back in the late 1990s and early 2000s it was so easy to find a list of stocks to swing trade or day trade. The stocks moved with such great volatility that a list of hot prospects was easy to come by. However, in recent years that range and volatility has dropped off a cliff. You have to spend more time researching and finding the best stocks to trade now. Same goes for other markets. There are times in Forex when certain crosses are going like gangbusters. The GBPUSD or the EURJPY hit weeks at a time where they have range off the charts. Great times for trading. However, these markets then tend to go sideways and consolidate for long stretches. You've seen the same thing happen in commodities such as oil and gold. Or the index futures where certain markets hit a period of hyper-volatility, then suddenly the lazy days of late summer hit and they are barely budging.

It is important to have a trading strategy that is adaptable. That can trade across multiple markets and even better, multiple timeframes. You'll never be without trading opportunities this way. You can master the strategy, apply it to specific markets, and be trading it a month from now and a year from now, even if the markets and timeframes change.

What about Forex timeframes?

Research in this area turns up a few things…

Monday through Friday are all viable for day trading. Thursday tends to be the best day for trending. Friday has some risk if you are looking for swing trades because you would need to hold over the weekend. Day trading on Friday is typically fine especially when there are news events to power the markets.

We have found that for day trading 2am EST – 4am EST (New York Time is always used in this document to standardize) is a solid timeframe to trade. For a while, we didn't see a lot of opportunity that was reliable between 4am – 8am EST but in recent months we have found that the 4am – 7am EST is another viable timeframe, in particular starting after the news timeframe (so 5:00am EST or after.) Just realize you will many times have economic reports that can dramatically alter the markets at 4am – 5am EST depending upon the economic schedule. After that, 7am EST – 11am EST is the final (US session) timeframe. This is the case for the U.S. and European crosses. If you add the Asian crosses to the mix, then 6pm EST – 9pm EST is viable.

Should you for a minute attempt to trade each timeframe? Personally, we'd say no. Focus on one, two if you must. And if you book a winning trade – shut it down. Move along. That's your best bet. There is always another timeframe; don't panic that you'll miss the next great trade. More than likely you'll find your way to going from a profit to a loss either through a bad trade, a mistake or just the simple odds of trading and then you'll have to take another trade, thereby raising the trading stress, and so on.

If the whole idea of day trading is unacceptable to you, and realize here we are probably talking on an average session an hour and definitely under two hours, you can of course swing trade. There are options to swing trade daily charts, four hour charts, hourly charts, tick charts, etc. There is always a timeframe that will suit your lifestyle perfectly.

What about Index Futures?

For us, that's fairly easy. From 9:30am EST – 12:30pm EST is prime time. If we use our Power of Quitting techniques we'll usually be done on average in an hour or less. Sometimes it doesn't work that way and it goes over. In the afternoon? 1:50pm EST – 3:40pm EST and that is it. Forget the midday. Forget the afternoon if you don't need it.

What about Stock Trading?

If you are day trading you can typically just use your Power of Quitting techniques and go until completion. You'll see the activity will follow a similar pattern to what we see in the Index Futures – expect a definitely slowdown in the midday but typically if you are holding some trades through you'll be able to follow your strategy and wait for activity to resume.

Commodities, Global Index Futures and More?

You are going to find that all of these markets will only be active for 50% or less of their respective trading days. You want to pare every market down to size. You should never have to trade the entire session. Ever.

I'm not day trading….

If that is the case, then timeframes intraday mean little to you. Your trades will be influenced by this but if you are swing trading - you are going to buy trades and hold for multiple days or even weeks - then your best movement is probably happening in the timeframe mentioned above. But ultimately you are watching the only things that matter - the high, the low and the close each bar whether that is daily, or four hours, or 377 ticks.

Minute Charts, Tick Charts, Daily Charts, Weekly Charts…

So many choices. Here's what we like to do. When day trading we personally lean towards the tick charts. If we are day trading the index futures, one of the best for us is the 233 tick or, pulling out a little bit, the 377 tick. You'll notice these are odd numbers. We like to use Fibonacci numbers. Could we have made it 230 and 375 instead? Sure, it probably wouldn't make a huge difference in the charts themselves. However, much of trading is crowd psychology and we know that for the simple fact that thousands of traders trade using Fibonacci numbers, including for timeframes where we'd rather see what they are seeing. Therefore it makes sense to do this rather than use a similar but random number.

http://en.wikipedia.org/wiki/Fibonacci_number

You can read all about Fibonacci there if you like.

If we are trading Forex on a day trading basis? 55 ticks, maybe 89 ticks.

If we are swing trading Forex? 233 ticks can be a real nice one to swing trade off of, or 377.

The same works for stocks – we can trade with tick charts, or intraday with time charts such as 3 minute, 5 minutes, 10 minutes, etc. You just experiment with your chart settings until you find a range that seems to work best. If you go too small, you'll have way too much activity and the trading strategy you use will probably become unreliable since you are now reacting off of any type of market noise. If you go too large, you'll end up with trades that will require large stops to hang on with the swings to match the timeframes. You may even get in too late many times since the charts are slower to form but you'll avoid virtually all the noise. So, as you can see it is a balance, but it is not difficult to pull up a chart and just look at it and conclude in seconds that it will work, especially if you have a top notch strategy

That's why it is crucial to have a strategy that works across all these timeframes and markets. You'll visually be able to decide in seconds what tends to paralyze many other traders and you'll be settling on exactly what to trade in no time at all – always knowing you'll have way more opportunities than you could ever pursue on your own.

Risk, Profits, Key Levels – Your Magic Formula

Every strategy should give you an exact place to exit. And this means accepting the fact that the stop placement for a loss is going to be as important as the profit target. You should always have a specific plan in mind with EVERY trade. If you do not know where you are heading with a trade, what the desired outcome is (and we mean not winning – but a precise objective) then you are going to make bad decisions as that trade develops.

This means coming up with rules for every occasion. This is a challenge at least initially when crafting a system since you want to get to the point that if you had to, you could program at least 90% of the system into a computer. Some of the best strategies still require some "art" and "experience" and that's perfectly fine. The mark of a great strategy does not mean it has to be fully programmable. But you should be able to program 80% or 90% of the rules. The other part, the subjectivity, that is made up of the art and experience you can use to influence the final decision.

What we find though is that most traders enter trades without knowing where they are heading and they end up making all kinds of bad judgment calls. The trade goes against you, as most trades tend to at some point, and you panic out. The trade goes a little bit in your favor, you panic and take the profits, missing out on the next minute or day where it spikes up your way. Or, it starts going way against you but you become paralyzed with fear and do not exit, you might even buy more on the decline.

Not having a plan is a formula for total failure. You may as well mail in your account directly to the broker's bank account because it won't be long for that account to be wiped out and you cannot blame your system, your signals, your indicators or anything else if you do not have a plan to follow.

And realize that even the most experienced traders fall victim to this as well. I would love to tell you that I have never overrode my plan, jumped out of a trade too soon because I thought I knew better than the markets and strategy only to leave a lot of dough on the table, but it is a reality that every trader continues to work through.

What I can assure you though is if you do not have a specific plan heading in your trades, your results are all but assured and they will not be favorable.

What to Risk?

There is no single formula that will work in all cases, for all markets. When building our targets and risks we also do not get hung up on making sure the target is 2x, or 3x or 1.5x as large as the initial risk. Sure, this is always nice when you can trade a strategy where the targets are larger than risk. But this doesn't mean much if the win/loss ratio isn't where it needs to be, or if you end up risking too little, constantly getting whipsawed out of trades just trying to keep your ratios up on your target to risk.

You need to make sure you realize that it matters what the ratio is, but as important is the win/loss ratio – the bottom line of what you'll get out of a trade. Think of it this way. If you had a strategy that won 90% of the time, would you trade it? You would unless you found out that it does that by taking very small profits and when it loses, the risk is so large it can wipe out every win. That same 90% win/loss ratio could be great though if the risk was larger than the target, but in a manageable amount – maybe your risk $1.50 for every $1.00 profit. At first that doesn't look compelling, but with that type of win/loss it would make for an amazing outcome.

What's important here is to not get hung up on any one variable. We have frequently talked to traders who have become convinced that unless a strategy wins xx% of the time, or it has a 2:1 target to risk ratio, that it is not going to succeed, yet the same thing they are attempting to achieve that meets their criteria could easily end up being a dog of a strategy because they have neglected the other variables.

Here is an example of a Forex trade. We like to start by looking at our strategy's entry point and then subtracting it from our stop area. Frequently, the safest stop areas are below the last major swing low (when going long) or swing high (when going short) – you come up with a value and then that becomes your risk. Try to use that as your profit targets when testing a system. This is a perfect place to start. It is basically 1:1 and you'll find that many strategies that have accurate and successful entries will do a near perfect job many times of satisfying that projection in a percentage that is acceptable (of course above 50% and we like to see that occur 65% of the time to call it a definite success.)

In this example the difference from entry to swing low is 34 pips. The target is there for 34 pips above the entry – and more interesting is that the exact swing high was the calculated target. Of course it is not always going to be perfect but it is fascinating how often it will be quite close. If you find after some testing over 10, 20, 30 trades that you are frequently just missing target, or the market is going way beyond your target the majority of the times, then you just adjust your ratio and go for the risk times whatever you need to pick up that 65%+ win ratio. As long as you stay close to 1:1 or better you're going to be "golden."

Here's another example of a stock, on a daily chart. Assuming your entry rules had you short at the opening of the bar you see below (49.71) you have a projection of 6.54 between the entry and the swing high. This then gives you a basis for both a stop, and your projected target, which is reached in this example. Of course, you need the rules that get you in at successful entry points but building the targets/stops from basic understanding of swing highs and swing lows (no matter the timeframe whether intraday or multi day or weeks) and projecting from there is the basis for this exact plan you will need.

You also need to have rules that tell you what to do when you get close.

The 90% Rule – So Close to Target

We call one our 90% rule. That is basically designed for times that our mechanical objectives get within 90% or greater of full target. I can tell you without question we will never take a loss on a strategy that barely misses target. There is simply no reason to stubbornly wait out the next couple of ticks and in the meantime be willing to risk it all the way back to a full loss just because a calculated target just misses. We therefore in our minds know that if our objectives are $2.00 on a stock we will definitely have a stop adjustment if it gets to $1.80 or higher.

In fact, you might want a 50% rule. It is a good idea to ratchet up your stops (when long – opposite when short) when you get halfway to an objective. This doesn't mean you should tighten stops so much that you get taken out repeatedly the moment it retraces even a slight amount, but it should be a level where you have some action plan built into your strategy. 50% and 90% or thereabouts are good levels to build some type of risk reduction into your plan and then some means of locking in profits. We always want to give our trades room to "breathe" – do not just get jumpy and head for the exits at the first sign of a retracement. Going back to the concepts further up in this document, if you have a strategy that has put the odds in your favor, you have to let that strategy do its work. You need to give it the chance it needs – but ratcheting up stops (or down if short) is wise and still allows that trade room to roam and get your full objectives, while at the same time giving you the relief of cutting risks substantially and rewarding yourself for getting halfway there, and ultimately trading with a trade that you know is guaranteed to make a profit, rewarding yourself for the trade getting 90% of the way there.

What about "Key Levels?"

There are levels that markets just have a hard time passing, up or down. All support and resistance gets broken eventually so we don't build strategies around these levels with the fear that they cannot be broken. If the case is that our profit objective requires one to be broken, then so be it.

However, you need to understand that much of trading is crowd psychology and though someone could put together a thesis on how there should be no difference between valuation of a market at 41.98 vs. 42.00 (the round number), it is a fact that traders, down to the individual basis, are the ones who are influencing these prices, and rightly or wrongly there is a lot of attention paid to key levels.

Now, you might think with all the electronic and program trading out there that these "robots" ignore these key levels but it is not difficult for any experienced trader, and therefore system developer, to realize that you have to respect these levels. So even as program trading starts to dominate many markets, they are building into these models these same behaviors.

What this means to you is that you need to know what levels "matter" in the markets you trade. It is different depending upon timeframe and markets.

In the Forex markets, we always respect the "00" and the "50" levels, meaning 1.97"00" or 1.97"50" – this does not mean we do not exit the moment a market gets close. However, you can bet that if we have a set-up to buy at 1.9698, we are not going to enter that trade until it gets up and over 1.9700 and to 1.9702 or 1.9703. Same goes if we are heading short, and we get a set-up at 1.9754. We are not going short until the market breaks 1.9750, so 1.9748 for example.

Respecting key levels will add at least 5% or more to your win/loss ratio. It is measurable and can really make the difference.

The same case can be made in virtually all markets. Index futures? Pay attention on an intraday/day trading basis for example on the Russell e-Mini to the xxx.50 and xxx.00 levels. You'll be amazed how often you will have a target that might be 830.10 and it will only get to 830. If it is close to a key level we adjust for it. Why make a market fight through a key level for an extra tick? Doesn't seem worth the stress to us.

Same goes when setting stops. If we know day trading that the 829."50" level should be watched and a sell stop is calculated at 829.60, you can be sure we'll be lowering it down below the 829.50 level and instead more safely placing it at 829.40, assuming that the 829.50 level might be the area the support comes in. It is a key level.

Swing trading we wouldn't pay much attention to the levels on that micro of a level. However, we would pay attention to the "5's" such as 800, 805, 810, 815, 820 and even the round numbers like 806, 807, 808, and so on.

This is all just fine-tuning but it is that last thing you can do in your trading plan, it becomes total second nature, and it works across all markets whether stocks, Forex, futures, commodities, etc. It doesn't matter. This is how you take a mechanical strategy, apply the art and experience to it and measurably improve your performance.

Never be afraid of support/resistance but be sure you at least acknowledge its existence and make small adjustments when you can – do not make large adjustments just to avoid facing down a key level, but small adjustments where you give up very little on the target or have to widen your stop just a bit make great sense.

Some of you might want to track and watch other Key Levels, such as Pivot formulas (of which there are several, all easily found by doing a basic Google Search or already built into your charting platform), Fibonacci levels (retracements, projections, etc.), previous day highs, lows, closes, and so on.

What you don't want to do is draw so many lines on your charts that you become paralyzed. Remind yourself that all levels will ultimately fall. They are not to be avoided, but they are to be respected. Nothing more.

With the Trend or Against the Trend?

Our answer on this would be that you need to be able to trade both with and against. Some would clearly argue that you should always trade with the trend. That's not bad advice by any means, and even if you are trading "counter"-trend you better believe that trend will potentially influence success and that your entry had better have a high degree of success to fight a trend.

But what with the trend fails to acknowledge is the fact that most markets are not trending very often. Pull up any chart, in any timeframe and you are going to find the majority of the time they are chopping and range bound or swinging up and down in a range. And by the time you know a market is trending, usually a good portion of the move may already be done. Sure, if you caught a trend at its infancy you would do great but that means you would also frequently be jumping in so early that you'll also be caught in choppy trading, so you had better have a strategy that can succeed in both market conditions.

Notice the great trends here, in this case for Crude Oil, on a daily chart. Big trend down, big trend up, this goes on for about two months. You wouldn't need to catch the top or bottom here since each moved steadily once the trend was established.

Now, lets look at the next couple of months:

One more nice trend, then about five swings up and down over the last couple of months. Your "trend strategy" would probably be unraveling potentially at that point.

Hence, the need to make sure that an overall strategy can handle both types of market conditions. Even more importantly, you need to be able to "survive" conditions like this:

Traders know that choppy trading, not swinging up and down, or trending, is perhaps the most difficult conditions. Markets or timeframes that tend to be choppy the majority of the time in fact should be avoided. That's why we only focus on certain timeframes intraday, or we will walk away from a market on a swing basis if it is simply constantly in a state of chop. But even good markets will consolidate and you need to ensure your strategy keeps you "alive" in these conditions. It is important that it is profitable in chop, just that it doesn't lose much, or trade very often. You'll likely have a drawdown in this situation but the mark of a quality strategy is whether that loss is 5% or 25%.

Insider's Guide to Forex Trading

What you are about to read is not a long dissertation on technical analysis or some system with the 20 indicators you need to load on your chart and analyze to trade the Forex.

This is not meant to be an introduction to Forex to tell you what a pip is, what spread is or to explain this whole Eurodollar thing. You can find all of that information elsewhere. Instead, this is meant to give you information that is simply going to save you a considerable amount of money, grief and time.

It all comes from the school of hard trading knocks. I am writing this anonymously. There are going to be things I'll say below that The Powers That Be in the world of Forex trading simply do not like anyone to say.

Instead they like to tell you about how easy it is. How it's all commission free, super trending and quite simply, easy to trade. You'll be grabbing pips whenever you need them! If only it was so easy.

No, instead we are going to acknowledge the good and the bad, and some of the ugly of Forex trading and you are going to learn some things that you will definitely not know if you are new or even moderately experienced at Forex trading. For those of you who are very experienced you will either have experienced much of this or have always wondered about it.

Let's proceed. Promise, it will be brief and painless. This is about quick tips that will save you money, grief and time.

1. Commission Free Trading

This was the initial sales pitch most brokers used and many still do. "You'll trade for free – no commissions!" Well, any of us who trade actively know commissions add up to some ungodly amounts – many times you look at your annual statements if you trade actively and it's not uncommon that your broker makes more, maybe much more, than you do in your trading profits. Forex trading is not commission free. Sure, there is usually not an "add-on" commission. However, they force you to pay a spread on every trade. You have to always buy at the ask and always sell at the bid. This is not the case in stocks, or futures or really any other market.

This forced spread on every trade is a commission. That's what it is. Despite what the broker might claim. And that forced spread is not cheap. 3 pips is $30 on a just one full sized pair. Try $50 on a 5 pip spread you still see as commonplace.

Now, compare that to your average futures or stock trade. Which is more? Forex usually by far.

Now, let's not leave it at that. Remember, you get some amazing leverage opportunities with Forex so the actual commission compared to the dollar volume you are able to trade is actually reasonable in some cases – assuming you trade at the right places and follow the right strategies. We'll cover that below.

2. 100:1 Leverage…No, Wait! How about 200:1….or 400:1?

You're going to be rich! With that kind of leverage you make just a few pips per days and you'll spend as much time with your banker as you do with your significant other, right? You look at the end of month totals from your strategy, run it through your state of the art Leverage Calculator and instantly you are making 100%, 300% or 500% per month. Do that a few months, a bit of compounding and you'll be buying that private island after all. This is another one of those broker come-ons. It just doesn't work this way. Yes, you can get this leverage. The brokers are going to allow it so I'm not saying it isn't as advertised. However, you are guaranteed to wipe out using it. Guaranteed. There simply is no way you can trade at these leverage levels and make it. Not unless you are some trading genius who can take a trade and never lose. If you are – please contact me at once!

For the rest of us, you are going to lose. You are going to lose more than once. You are going to have some losing streaks. It's the nature of trading. It's not a big deal, especially if you can win more than you lose, and if your average win is greater than your average loss. You do that and who cares about some losses. Don't get hung up on it.

However, you will care very much if you over-leverage. Do not over-leverage! This is the single, greatest mistake most new Forex traders make. Your state of the art trading calculator spits out numbers that are too great to pass up and you let greed get in the way of logic.

Think about it this way. 200:1 leverage.

You have a trade where you are targeting 25 pips and risking 25 pips. As you'll learn below, that trade actually has to go 28 pips or more to hit your target of 25 pips and you'll actually be risking 28 pips or more – but for this example we won't get hung up on that. We'll solve that later.

You have a $5,000 account and trade it with 200:1 leverage. That means you can trade 1,000,000 worth of currency (you can see why we said spreads above are a significant cost but with leverage can end up being a small percentage of cost) – and that means 10 full sized pairs.

Oh, and you lose on this trade. Let's do the math. 10 pairs x 25 pips = 250 pip loss. Make that with spread 10 pairs x 28 pips = 280 pips loss x $10/pip = $2800 loss.

Oops. You've just lost over 50% of your account. Don't even think about what would have happened if you were risking more – and these days on the Forex, good luck risking much less.

If you lose twice in a row – which happens all the time - you've just wiped out. Sure, if you win you make a great return, but you are completely counting on virtually never losing. Even if you get a few wins immediately, you'll eventually wipe out.

It's what happens to the new gambler in Las Vegas. They try a few hands, they win, they get sucked in, and then before they know it they are at their ATM machine looking for their mortgage money to try and get back that winning feeling.

You'll have success trading with huge leverage. Some of the time. It will be great and you'll brag to your friends how you made 50% that afternoon. Then, a few days later you'll be asking them to pick up the lunch tab.

Do not use crazy leverage. Do not use crazy leverage. Do not use…ok, you get the idea.

Decide on a fixed percentage you are going to risk on your account on any one trade. 5%? 10%? And calculate that amount to determine what size you can trade based upon the risk per trade. It will still be great leverage – Forex provides that. What's wrong with 5:1 leverage or 10:1 leverage? It blows away the stock market but it's not going to wipe you out in a couple of trades.

3. Spreads

Find a broker that does not charge high spreads. Sure, you need a broker who provides a stable platform, which provides good customer service, which is regulated (important!), that has account insurance/guarantees, and so on. But realize these brokers make money many different ways. They make spread money, they make money by laying off orders on other banks, they make money on stop running. Did I say that? Guess it's too late to take it back.

There is simply no reason to pay more than 3 pips on the EURUSD. And really, you should be paying 2 pips. On the GBPUSD and USDCHF why are you paying 5 pips? Sorry, it's not going to a charitable cause – your broker's bank account isn't a non-profit. Those spreads are crazy. You should pay 3, maybe 4 at most on the other majors.

There are new trading platforms coming out in recent months, some based upon the "Currenex" platform that basically takes your orders direct to the "real" trading market and your broker only takes a small commission on the trade, closer to the model we see in stocks and futures. Or they are mimicking the Currenex platform and developing on that works similar. Look for this; it is important to have liquidity and low costs.

And forget about all the "exotics" – avoid trading anything that is not amongst the main pairs – EURUSD, USDCHF, GBPUSD, USDCAD, AUDUSD, USDJPY, EURJPY and maybe EURGBP. And stay away unless spread is 2 or 3 pips, maybe 4. That's already more than enough to trade so why do you need to trade the GBPCHF for 15 pips spread? Unless you really like to make car payments and pay for rounds of golf for your broker. If you do see a compelling reason to trade, for example, the GBPJPY - and there are some great moves there - just be sure you are building the spread costs into your trading outcomes – you might need it to go 7 to 10 pips just to get break-even, let alone to start making a profit.

4. Banker's Hours… I Mean Broker's Hours…

Most of us think that all brokers are up the entire time these markets are trading. Not exactly. Brokers can set their own hours – there are not rules or regulations on that. You had better check on this. You'd be surprised how many close an hour or two early on Friday. How many open later on Sunday when the market trades. How many close for holidays even though there is trading. And when they are closed, you are stuck in your trade. You'll be in for a rude surprise when you go to exit a trade ahead of the weekend only to find out they are already closed. I know, sounds really basic, check the hours of a business, but you'll be surprised how many have no clue about this until it burns them bad. Know this up front – including when you can call the broker (they are not always staffed at the trading desk) as well as have access to their system AND order executions.

Keep in mind as well that if you hold over the weekend, you can be subjected to gaps – typically we do not have gaps in Forex since they are running 24 hours, but there are very few who will execute you over the weekend so any disturbance globally can impact you over the weekend. Many who are swing trading will exit Friday and re-enter Sunday night. Of course, you'll be subject to another pip spread charge, plus if you are holding in the right direction, you give up some of the “swap” the interest rate the broker will pay you. At the very least, if there is negative swap, and you are paying interest, you might want to exit, avoid the interest and pay the pip charge to re-enter the trade and not have the risk of a weekend hold without liquidity.

5. Wild West Trading Prices

The Forex does not have centralized pricing. Think of it this way: all those banks out there that trade, all the brokers that trade, all the individuals that trade – none of it is centralized into an executable source. Each broker has their own data feed and they decide what the highs and lows are, what the highs and lows are on a swing, and can limit movement on a pair. It is artificially controlled. Sorry, it’s not the free market you think it is. And it’s nothing like the stock or futures markets where you are trading in a centralized market where all the bids, asks and trading volume is executable no matter what broker you choose.

This is a big difference in Forex. One day it likely will be centralized – and that will be a great thing. In the meantime, you are going to be trading a market where one person might have a stop filled, and another one trading elsewhere will not. Same with limits. This means you literally can have two people trading the same exact strategy and they will at times end up with completely different results.

It’s frustrating but true - and you need to understand this. Just because broker NoCommissions.com executes a fill doesn’t mean that WeNeverRunStops.com is going to execute as well. If you ever bring up charts from different brokers you’ll see they can be different – it’s never drastic, usually a few pips on various swings - but in fast markets you’d be amazed how much they can vary. It is not uncommon for me to be trading and see brokers different by 5 or 10 pips at times. It’s not typical but it happens and that can make a major difference in your results.

Solution? There isn’t a great solution other than to realize this is the case. If you are following a strategy/service and they have hit target and you have not, you better chalk it up to slippage and get out because they hit and you didn’t. Happens all the time and it’s best to simply try and stay in synch with your strategy and assume you’ll make up those pips on another trade.

We would also suggest that you consider not projecting your true stops whenever you are able. If you are monitoring actively you are better to place an “emergency stop” – for example, on 10 pips lower than your actual exit area (just in case anything happens in your connectivity) and then market out when you hit your “real” stop – this way nothing is projected into the marketplace and you do not have to deal with the psychological battle that the broker targeted your stop personally. It might not seem logical, but it’s both easy to feel that way and easy to figure out why it might actually be true at times.

6. Day Trading or Swing Trading

Day trading Forex is very difficult. It used to be easy. It's not any longer. In the good 'ol days there was excellent trading range, smooth moves, wide swings, and very little choppiness. You'd rarely load up a candlestick chart and see huge wicks and tails. These days that's all there seems to be, at least three or four days per week. You'll still get a trending day or two but that's not enough to make back what you are likely to lose the other days.
In addition, spread is a real killer for day trading. Let's say you are paying 5 pips. And you decide you are going to be a Forex scalper, taking 10 pips on a trade and risking 10 pips. You look on the chart - you can do that all day, right?

Well, remember what we said above – as soon as you enter a trade you are down 5 pips. You are not even like stock trading or futures. You are already down due to the forced spread. And to get that 10 pips of profit you now need the market to move 15 pips. To risk that 10 pips you are actually needing to risk 15 pips. So this simple trade that will make you 10 pips now comes with a risk of 15. Not a great ratio.

Does this mean you cannot day trade Forex? Absolutely not. There could be strategies that work. There definitely were many that used to work great. It's just that it has gotten much more difficult.

Swing trading on the other hand allows for a bit more tolerance. The reason? Usually when you are trading the larger moves you probably are going for a better ratio – maybe 100 pips and risking 50 pips (just for an example). In addition, you are likely trading much less often. That means fewer spreads, fewer problems, fewer stops being run. It also means that since you are going for a larger target if you get to your target, don't get a fill and just miss, you don't care about taking 96 pips instead of 100. Who cares? Let's not trip all over ourselves trying to squeeze out a few more pips.

However, if you day trade, you simply cannot risk 15 pips like above and decide to take 6 pips. It's much easier on swing trades to digest some of this "slippage" on your exits.

You can succeed with either style, but you need to recognize that both have hurdles. You should also always use a demo account first when trading Forex. Virtually every broker will give you a free demo for at least 30 days. Charting, quotes, and order placement with a simulated account. No, this is not the same thing as having real money on the line, and yes, you are going to trade differently and probably incorrectly once you switch to the real deal, but it's like practice in any endeavor. You are training your brain to act in a certain way across numerous market conditions. And you'd be surprised how often you think you have a strategy mastered because you read it and it makes good sense, to actually putting it in place and suddenly rudely awakened because you have no idea what to do. Train the brain, and practice in a demo before you go live.

7. Regulators

Absolutely, definitely, positively check to ensure your Forex broker is licensed and is a registered FCM. Check to see what their reserves are, make sure they hold segregated funds, better if they are traded publicly somewhere – many are traded publicly in Europe – that's fine. Just make sure you do some checking on where your funds are going. And confirm they truly are registered. They should give you their registration number. Check it and make sure it's valid and current.

The last thing you need to be doing is sending your funds to an unregulated broker who has not cleared the minimum requirements of the NFA – it is totally unnecessary to take this risk. It probably goes without saying but we still continue to see stories of people losing their funds to unscrupulous or under capitalized firms.

8. Automation

First, let's face it. Forex trading is really tough. 24 hours per day for 5 days is more than a full-time job. It's basically impossible to trade that much time for anyone.

That is why auto-trade can be very popular with the right trading service. It is so much easier not to have to monitor the markets 24 hours a day – which is basically impossible to do on your own.

However, there are some basics you should make sure your Forex broker offers. They should always offer contingent stops and limits at the time you place your order. This is critical and there are brokers that don't. There are literally brokers out there where you place your entry order and until it's filled you cannot place the stop and limit. That's horrible; it will cause you endless grief and frustration and definitely money.

Absolutely do not trade with a broker that does not allow this basic order type.

Do not trade with a broker where you cannot place buy stop or sell stop entries. You need to be able to enter at the price you want and only then. Not somewhere where literally the only way to get in is with a limit or a market. Do not box yourself in with limited features.

In addition, this is one of those unspoken and really sneaky things some brokers do. They show you charting and prices that are not executable. Perhaps I should name names… maybe another time… let's keep this informative and not personal (!) but just know that there are brokers out there who provide charting and show prices that they actually do not execute at. They just take someone else's feeds. That's always fun when your limit order looks filled based upon the chart they show, and then you never get a fill.

You need to absolutely confirm that what you are seeing visually is executable. If not, you had better find out why. Sometimes they show the asks on the highs and the bids on the low, sometimes they split the difference, and so on. You really must know or you will end up having all kinds of problems. It's best if the prices shown are executable – if they are not, at least know how they are based. And if it's some random feed that has nothing to do with the broker… run.

9. Trading Desks – A Broker's Best Friend

Many brokers will try and tell you about how huge they are and how many traders they have at a desk. Yes, it's a good sign that they are of some size. However, do not think that all those people scrambling around in that picture of their trading desk are on your side. In fact, they are probably against you. Realize that brokers take the other side of all trades with you and of course then try to lay off those positions elsewhere. That means it is you against them. Despite what they may tell you – remember just like you are out for profits, so is every other player in this market. Nobody is here to hand deliver the profits to you. Everyone wants their piece.

And, that means you can bet they have ways of hunting out stops and not filling limits. It's not going to be an issue when the market clearly blows through a stop or a limit. It's those times where the market may have just made a limit price but somehow the broker seems to always miss those close call limits on your profit exits by a pip or two. However, on your stop exits, usually for a loss they seem to have an uncanny ability to stretch just a little farther and grab you before going back the other way.

You are not being paranoid – this does happen. The trading desks are there to make profits for the broker, not to help you make money. It is you against them and you must realize that.

Another reason why day trading can be so tough: The more you trade, the more battles you'll have with these desks and the more problems. Better to pick your best trading spots and allow yourself enough of a buffer on your stops that they won't reach out and grab those stops. And you really ought to be ready to exit when that elusive limit just seems to not fill despite repeated efforts.

It does happen, all the time. The broker is not your friend when it comes to executions so you had better look out for yourself. This doesn't mean you cannot have a great relationship with your broker; just realize that it is your responsibility to protect your trades – to have the right targets and stops, to understand the risks with projecting these into the market and knowing how to act when you "just miss" or you get taken out at the low or high tick. Your broker is essential in the process, of course, but it is ultimately up to you to ensure your success.

10. Systems, Services, Signals

There are many systems out there and many services. Some of them are excellent, and some of them are not. You will truly only find out which ones work for you with some investigation and definitely with a trial. These are just some basic tips.

First, you'll find that there are providers that post results that are the "best exit" – meaning they show the results based upon the lowest low when short in that trade and the highest high. Of course nobody knows to exit at those prices and usually this can double or triple actual performance. It happens all the time – read the fine print.

Second, yes, results that are back-tested can have some benefit but realize markets change. What worked six months ago may not work now. Instead of trusting back-testing, you need to have a trial. Insist on it and don't pay money up front until you get a chance to at least trial the service – or make sure if there is a cost that it's very low.

Some people spend thousands of dollars on a piece of software only to find out it doesn't work. It's much easier to deal with something not working when it was a free trial, or just a small monthly fee without long-term obligations. In fact, if you can find something where you had a fee on an ongoing basis, that would be perfectly acceptable. After all, if it is going to work for you then it's of little concern to pay ongoing. What you might want to avoid are the very large upfronts that are required with many courses and strategies – when you are being asked for thousands of dollars up front, you are taking a big risk. Many times you will not find this because firms know they have to get you sold up front because you are not going to be coming back for more. Instead, the company that is willing to take its money in an ongoing basis, monthly, quarterly, etc. probably is not making much money until you stay with them for a time – they become a lot more vested in your success and you can afford the risk when at most you are only out a month or two of subscription fees and that's going to be a lot less then some of these super expensive alternatives out there.

Third, realize that all the issues we presented above are typically not reflected in results. However, armed with this information we've given you, you are going to be so much better off than probably 99 out of 100 traders who are going to learn all this the hard way.

There are definitely good strategies out there commercially. It's a game of numbers like everything else. Most probably are not effective but with some research and a bit of trial and error you can find something that is going to be perfect for you.   Keep in mind that all of this does take work and effort and nobody can provide you a perfect system. You cannot always blame the system, strategy, course, etc. - make sure you are doing what is necessary as well to succeed. There is no doubt that a great strategy can be taught to 10 people, and you'd very likely get 10 different outcomes including very disparate ones – some could be very profitable, some will find a way to lose – with the very same system.

In Summary…

Forex trading can be wonderful to trade. Do not look at the above hurdles and feel they are insurmountable. With the knowledge you now have you can work around or through all these issues. You can definitely profit and Forex trading is not going away. Its popularity is at an all-time peak and we'll probably be able to say that for a long time to come. However, it is not the easiest market to trade and much of how it's sold isn't truly the reality.

Experience will show you this as will what you've learned here. Take it slow. Use minimal leverage initially, and realize that you'll have a learning curve and you'll make some mistakes. Consider it the cost of your education.

If you stay with it, and apply the proper logic to a quality strategy, you'll do just fine. Just be realistic. You're not going to make 1000% a month. You're not going to turn $5,000 into a million in two years (right off a website I saw recently.) You're not going to win 50 trades in a row. That's all o.k. You don't need any of this to be a tremendous success trading Forex.

Know you can and will make it, but just know that you are in for a challenge. Once overcome, it can be tremendously rewarding.

Insider's Guide to Trading the e-Mini Futures

1. **Timeframes** - There are certain times of day that are best to trade. In general, you can count on the first 2 – 3 hours of the trading day, after the New York markets open (9:30am EST) and the final 2+ hours of the day (2pm – 4:15pm EST) to yield the most consistent results. The midday can be rewarding but almost every time we've reviewed trading results, you end up with much more work and effort for a lot less return during the midday.

2. **Trend and Chop** - Markets will oscillate up and down much more often than trend. If you trade a method that succeeds only during trending markets you'll have the occasional big day, but any review of the markets will show that the markets chop and churn more than they trend. Be sure your trading method does not thrive only in a trending market, and watch for signal services or strategies that make it a habit of showing you how great it does on those big moves up or down. Those are the easiest markets to trade – you hardly need a system for that.

3. **Market Context** - Know the "Average Trading Range"/ATR of the market you are trading and compare it to the norms. This is important because many systems/strategies will have fixed targets and stops. This is fine since you probably will not need to fine-tune these that often (though you should on occasion, as market conditions and levels change substantially.) However, your expectations are going to be different when a market is trading at 50% of its normal trading range vs. 150% of its normal trading range. When you start to see some real variance from the norm, that is the time you are going to want to adjust

your targets and stops to accommodate. For example, if the average trading range in a market over time is 10 points but it drops to 6 or 7 you can bet your normal expected targets are going to consistently "just miss" – it's very important to know the overall context of the market you are trading.

4. **Trading the News** – You should always be aware of major economic news. There are many economic calendars available on the internet. One of the most comprehensive that also rates the expected volatility is:

   http://www.Forexfactory.com

   Don't worry that it says Forex if you are trading futures. The idea there is that you should know the major reports – and keep in mind that if you take a trade right at the same time as a release is coming out, you've gone from a predictable trade per your system to a completely random event. We're personally not against trading in front of or after the news, or even holding through the news assuming you have set target/stops, but markets love to pull a complete "180" reversal right at the release, and trading right into that event typically puts the odds well against you.

5. **Key Numbers** - Always watch round numbers. Human psychology has traders doing exactly the wrong things around round numbers. What we mean by that is entering a buy just below a major round number such as a 1400, 1500, 1600. This can even extend down to "0" and "5" levels such as 1405, 1410, 1415. Be aware that markets have an uncanny way of stopping at these levels and reversing – you cannot adjust for every potential resistance/support point but again, just like with news you should adjust your entries and/or exits if they happen to fall right in line with a key round number. That small extra adjustment will make all the difference for you.

6. **Back-testing** – Be wary of results that come from back-testing. Realize that it is easy with software/trading platforms today to take almost any trading system, even a lousy one, and optimize it on past data to make it look like the holy grail to end all holy grails. Back-testing means little. The only useful part of back-testing is to possibly help set up parameters for going-forward trading. And if you get results that were issued in real time (and are verifiable) then you are onto something. Just always confirm/ask that the results being presented were those that were issued and generated through real-time trading and not the result of back-testing. Those results you can toss out the window. 98% of the time they won't be replicable.

7. **Indicator Overkill** - There's the old adage "Keep It Simple Stupid" (KISS) and this really does apply to any trading. Do not go overboard with indicators. There is a real temptation to put every lagging indicator you can find or that comes with your charting platform on your chart. Realize that it is not any one indicator alone that is ever going to make or break a system. They are just meant to help move the odds in your favor on your trading. Indicators need to be built around a very thorough rule set and we would suggest you always make "price" to be your primary guide in trading. Price-based indicators and price-based trading has the best chance for success. Just keep in mind that no one indicator is ever going to be able to provide consistent buy/sell set-ups. Also, keep in mind that trading is a game of odds. Those who succeed in places like Las Vegas understand this. They know they are going to lose a LOT. They are just looking for the slight edge, the edge to get their win/loss above 50% if barely. And even if they cannot get that above 50%, if they can vary the size of their "bet," the results can be very positive despite having more losers than winners. This brings us to our next topic.

8. **System Benchmarks** - Do not measure a system's success on too few variables. Some people get hung up on the win/loss percentage. You need to realize you can have a system that wins 80% of the time and still be a failure. You can have a system that wins 30% of the time and it can be a great success. In addition, some people get hung up on the "initial" target and stop. You can succeed with a system that has a higher stop than target. Don't get shaken out of a potentially successful approach due to this. You have to look at ALL the variables, not just the win/loss percentage. Not just the stop and target. Not just the average win vs. average loss (though that is more important than the initial target & stop). Combine everything together to successfully assess a strategy. And then you have to put it through the final filter – yourself. Can you manage trading a system that wins only 30% of the time? Or does your trading psychology need a system that wins 65% of the time, even one less profitable (since it can be difficult to lose or have streaks of losers and keep going), or can you be comfortable with a system that takes its profits slowly but consistently, or do you feel you can only stick with one that hits home runs on occasion? Even if a system is successful, it still might not work for you depending upon how you are built for trading.

9. **Leverage** – You should always watch your account size and leverage. If you do not know the percentage you are risking per trade of your account, then you are already off in the wrong direction. Too often people set stops on trades using an abundance of leverage and they don't realize they could be risking 10% or more of their equity in that account on a single trade. For example, if you are trading the Russell e-Mini and your risk on the trade is three points, that is $300. Should you be trading this with a $2,000 account? In this situation, if you lost you'd be down already 15% just for one losing trade. And with any trading losses do happen, and they do happen on a regular basis. You need to capitalize properly. Only you can determine what risk and drawdown you are comfortable with, but

set those up front. If you are only comfortable with losing 2% or 3% or 5% on a trade, then set your position sizing up accordingly, or start with more equity. In addition, don't just think about it in terms of a single trade. What if you lost two, three or four times in a row? Could you handle that drawdown? If the answer is no, then you are risking too much. You need to be able to ride out the inevitable drawdowns and losing streaks that happen even with the best strategies.

10. **Commission Costs Do Matter – Plus Slippage (ugh)** - Especially if you trade with frequency, you should spend towards the low end of the current competitive pricing. Too often we see people say they are paying 2x or more the going averages – that is usually a recipe for negative overall results. Yes, it is important that you work with a quality broker that has an excellent electronic trading platform (you are not going to "call in" your trades and successfully trade the e-mini futures) that is reliable and up 99.9% of the time. Realize that it is not uncommon for traders to change brokerages. Sometimes it takes time to find the right combination of price and performance. However, there are excellent choices – if you do not have that potent combination, then you need to keep looking. Because there is no need to settle for high commissions, poor performance on their trading platform with technical issues or lack of support. The market is so competitive that yes, you can have it all and you should not accept where you are if you do not feel you are getting this combination. If not, you are just giving money away. You wouldn't walk around your town just tossing money around, and you are doing just that by settling on the wrong broker, the wrong tools or the wrong system.

    Slippage is also important to understand. You will not be able to execute at your intended price in all situations. In fact, in some markets, every time you send through a market order, you are going to give up a tick or two. What if your target on the S&P e-Mini futures is one point? That's made up of four ticks. And you set up your orders to market in and market out. You are now guaranteed to only be making 0.50 points, or two ticks. That might turn a great system on paper, quite bad. It is important to understand this. There is a place for limit orders, there is a place for extending targets or even trailing to try and make up for slippage. Or focus on other markets that either slip less (for example, on the Russell - one point is made up of 10 ticks – might be easier to absorb a tick of slippage, same goes for the Dow where 10 points is about the same range and one tick slippage there is only 10% of the range, compared to the S&P example where it was 25%.)

We hope this guide has helped you. There are the top issues that every trader faces, some of them not frequently discussed but something you need to consider. Trading the indexes using e-Mini futures can be a great opportunity but you need to be armed with all the knowledge. Realize that, as with anything worthwhile, it does take some time and experience to truly succeed. Be willing to invest that time, travel up the learning curve, and be educated more than the next person and you can succeed.

Key Trading Resources

The internet is loaded with great information, bad information and definite information overkill. You could spend weeks going to every trading site.

What follows are just a few websites that we think provide some information that can be helpful to apply your strategy. There are obviously many forums, chats, articles, etc. that you can pursue but be careful that it doesn't end up changing the way you trade (if already successful) or that you don't end up devoting too much time chasing information overkill.

Honestly, all you really need are these components:

1. **Your Strategy/Course/System Website**

Ideally you have chosen to focus on an approach that is going to provide for your in various market conditions, timeframes and markets. You find this and then put in the time to master it and you'll be set for a long time.

2. **Your Broker Website**

Nothing too exotic here. Your broker tends to have some good resources, and of course you'll need to go there for account maintenance, downloading or logging on to the trading platforms, and forms for withdrawals (hopefully profits!) and deposits (to make more returns), etc.

3. **Your Trading Platform**

Now this might be something your broker provides, or you might be subscribing to a third party charting and quote provider. There are many ways to go here but you'll want to make sure your chosen platform is top-notch. This is not a place to cut corners.

4. **An Economic Calendar**

Whether you day trade or swing trade you should know what news events could be influencing your trading. There are many on the interenet – http://www.Forexfactory.com is a favorite of ours for its structure and ability to see past days and weeks in case you want to back test.

5. **Trading Books**

It's probably wise to look at some continuing education, offline. Reading a trading book on occasion can add to your body of knowledge and make you a better trader. A few all-time favorites include:

Trading in the Zone – Mark Douglas
Trading for a Living – Alexander Elder
Reminiscences of a Stock Operator – Edwin Lefevre
Bringing Down the House: The Inside Story of Six MIT Students Who Took Vegas for Millions – Ben Mezrich (shows you how just slightly putting the odds in your favor can be so powerful)
Extraordinary Popular Delusions and the Madness of Crowds – Martin Fridson (understand the crowd mentality that pushes prices up and down)
Market Wizards and The New Market Wizards – Jack Schwager
Amazing Life of Jesse Livermore – World's Greatest Stock Trader – Richard Smitten

There are many great books. You can always go onto Amazon.com and get reviews from others before wasting your time and money – and again, don't go information overkill. In fact, we would typically suggest you avoid any books that are attempting to teach strategies, systems, charts, and so on. Go for self-improvement, great stories and motivational books in finance, but once you have a strategy that is working for you, don't muddle it up with a thousand other approaches.

That's really it. Too many end up using every waking hour between their trading and all the websites, strategies, systems, analysis, market feeds, breaking news and so on. It's not necessary. Remember, we are doing this to spend the least amount of time possible to be the most successful.

Trading Mind Games

Here is an excellent free resource for you.

Emotion Free Trading Free e-Book

http://www.netpicks.com/EmotionFreeTrading.pdf

Takes you through many of the psychological aspects of trading. Do not underestimate the mind games involved when trading. After you get through learning the markets and a strategy this will become the single most defining condition on whether you will succeed or fail.

Myth Busting Videos

Here is a set of two videos that go through many of the myths, truths and fiction that traders need to know or experience. The videos take about 45 minutes total and you should gain some unique insight that carries forward much of what you read about in this book – and you'll be able to visually see many of the examples we discuss online through these videos. And they are at the best price of all – FREE!

http://www.netpicksllc.com/videos/MythBustingE1.html

http://www.netpicksllc.com/videos/MythBustingE2.html

We hope you enjoyed this resource. There was a lot of ground covered here and many important concepts – none of them is highly complicated, most of them if you integrate them into your trading can have a positive influence on your bottom line.

If you have any great tips to share, pass them on. We'll incorporate those into future versions of this book.

Make sure you are on our NetPicks e-mail list. We share resources like this as well as unique strategies and offers on occasion. You can do that by going to our website at:

http://www.netpicks.com

On the right hand side just enter your first name and email and you'll be notified of new updates and other free resources to improve your trading.