March 10, 20xx

Trading -- Business Plan

1. Mission

I seek to be a force for good, for my family and in the world.

1. Vision

Within 5 years, I will have “infinite wealth”, capital for a residence/retirement community that is “no-load” for SUR, and funds sufficient for meaningful philanthropic contributions. This will require not less than $7 million.

1. Goals

Net at least $300 per day per contract (average over a week) in index futures

Net at least $50 per day in forex contracts on Nadex

Achieve an expectancy of 2-3 R for position trades

Achieve an expectancy of .5 R for day trades

Become a TF expert for HFT

Allocate 30% of monthly profits to war chest

Sustainment by end 2Q 20xx

Accumulate $30,000 for JGR wedding

1. Beliefs

There are six market types (bull volatile, bull quiet, sideways volatile, sideways quiet, bear volatile, bear quiet).With HK and chart analysis, I can identify those market types. Through a combination of option and futures trading, and investing, I can profit from each market type.

1. Big Picture

We are in the midst of a secular bull market from March 2009, as measured by the monthly chart of the S&P 500 (with a blip in May-June 2010). Secular markets (price basis) have compressed cycles of years not decades. In terms of P/E ratios, we are in a secular bear market that began in 2000 and could last until 2020. As a short-term trader, I am focused more on price action. For my longer term investments, I need to be aware of the secular bear market in terms of P/E ratios. In the age of instant information globally, everything is correlated.

1. Tactical Trading Strategies
2. *Strategies for the 6 market types –*

Volatile (bull/bear and sideways) – trend following (futures and option directional strategies, especially spreads)

Quiet (bull/bear and sideways) markets – income strategies (options: calendar, ‘flies, credit spreads and condors)

All – day trading TF/ES HK plus HFT

1. *Position trades*

Setups -- HK daily and weekly in conformity with trend, heat map and volume in full agreement. Look for targets to yield at least 3R

Timing signal for entry – HK 480 minute enters into conformity with Daily/Weekly, esp with volume Roadkill

Risk-Reward – 1.5 ATR risk if position size allows; aim for 3 ATR reward if 1 contract; 2/3/runner if 3 contracts

1. *Day trades*

Setups – Gearbox for tick chart settings. Trade the Blue Chart settings; consider Cyan after 3:30. Don’t trade first 10-15 minutes after market open. Wait for close above/below opening range. Chart Pivot and support/resistance, no trade if first profit target blocked by one of these levels.

Filters:

1. Opening range passed (initial trade)
2. No major support/resistance levels before first profit target
3. Sigma channels with strong directional slope, price above/below VWAP and close above/ below +/- 1 sigma, and CI confirming slope. Counter-trend trade only with bearish divergence on CI
4. Fatboy slope and confluence: 5, 3 and 1 min
5. Tick agreement – trend, and +/- 400 Hull MA for ES
6. Vix – (minor, ie not overtly contrary)
7. Kiss – (minor, ie not overtly contrary)

Timing signal for entry – volume or regular roadkill for entry,

Position management – set stops for 1.5 ATR/level, profit targets:

1 contract –ATR/ level 3

2 contracts – ATR/ level 2/3

3 contracts –ATR/level 2/3/runner

Move stop:

1. With HK barrier/stop
2. to BE on close above level 1, to level 1 on close above level 2, trail 2 levels for runner
3. *Profit taking for options*

Option directional strategies

* Weekly – 30-50% profit
* Longer put/call – scale at 50% and 100%; roll to maintain .75 delta
* Spreads/income – stay as long as you can make $

1. *Expectancy*

TBD

1. Position Sizing

I will ultimately move to a percent volatility method – percent of equity based on volatility of underlying asset. For now I will trade 1 contract, then move to a CPR strategy, where P=C/R (P is number of contracts/shares, C is cash or total position exposure (for me, max of 1.5% of total portfolio) and R is risk per unit traded. For options, check OptionVue for where 1R is (<- 1.5% portfolio) then see if K’s trading at that point make sense.

1. Dealing with Personal Challenges

Trade where the market is going, not where I think it ought to go.

Get comfortable going long if that is the direction.

Schedule breaks – stretch every hour, 10 minutes at lunch

Daily exercise – do not skip

Max 2 drinks on night before trading

AAR, aim for 95% trading efficiency. ID and document mistakes. Keep an expectancy log.

1. Daily procedures

Morning 15 minutes – prayer, meditation, visualization

Set alerts for entry zones

Review econ calendar – avoid trades at major econ news, first 10-15 minutes, at time of auction for ZN

0730 – 0900 work out

0900 – 0930 check for possible trades, esp. ES/TF

Track R multiples, expectancy, std deviation of R and ratio

Track daily, weekly and monthly profit

1615 – break; read financial press

1815 – AAR – document successes and mistakes in relation to rules, as well as $$; R multiple log entries if needed.

1835 – download VP and review VP and charts for next day; document possible trades/entry zones

1920 – get mail, pick up SUR, dinner and chill. Read at least 15 minutes before bed.

1. Education Plan

Daily – financial press

Weekly – HPB weekly update, TWP update, TOS Market Wrap, HK Thursday training

Monthly – Hawkeye monthly Saturday webinar

Various – Trader Expo NY and Vegas; Hawkeye London, West Palm; read 1 trading book per Q

1. Worst-Case contingency Plan

Power failure – if threatened, boot netbook; keep TS, TOS and TM phone numbers ready

Flash crash – place stop upon entry for every trade

Family crisis – panic flat for futures; customer service for options

1. Systems other than Trading

Financial model

Tax entity

Trader tax status

Tax reporting via Gainskeeper