

Trading plan

In a survey published in *Traders World* magazine, traders identified their major weaknesses in successfully trading the markets as:

1. Execution (when to pull the trigger)
2. Analysis
3. No confidence in their trading
4. An inferior trading plan

The traders' replies were from their own viewpoint, what they felt prevented them from being capable traders. If a poor trader is going to become a successful trader, he must change how he views his ability to trade.

The most important trader's weakness to overcome is an inferior trading plan. To be successful, the trader must do the following five things.

1. Obtain a competent trading methodology.
2. Dig out a profitable trading plan from the methodology.
3. Put together rules for the plan.
4. Back test the trading plan.
5. Use self-control to trade the plan.

Having a good trading plan and implementing it are two different things. Many traders freeze up when they attempt to trade. The trader is sometimes unable to take action even though he knows the market has changed direction. He can't pull the trigger. This happens because trading and analysis of the markets are two different things. This is the reason many intelligent, analytical researchers cannot successfully trade the markets.

The hardest thing the trader must overcome is the subconscious memory of prior losing trades. This memory tries to protect him from sustaining additional losses. That is why, when he is about to make a trade, his adrenaline flows, he starts to sweat, and he goes into a state of fear. He freezes up.

To be successful, a trader must maintain a mental equilibrium between actual trading and analysis of the markets. The greater the equilibrium, the greater chance there is for winning. The trader's subconscious mind must accept the fact that he has a good trading plan and transmit it to his conscious mind.

So, if the trader has a high-quality, back-tested trading system, his or her subconscious and conscious mind can act in harmony, and the trader can more effectively execute a trading plan.