

8 Steps to Successful Futures Day Trading

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My name is Ilan Levy-Mayer and I am the Vice President and Senior Broker at Cannon Trading. I came up with the following personal observations after serving online traders worldwide for more than 11 years. The following steps are guides to progress, and are not necessarily in sequential order. Some of them are always required, but each trader is different and will relate to these stages in their own ways.

1. Education

Hopefully if you are already trading you have completed your initial education: contract specs, trading hours, brokers, platforms, risks & opportunities in futures, and so on. Understanding this information is essential to trading. The second type of education is ongoing: learning about trading techniques, the evolution of markets, different trading tools, and more.

2. Find a System

I am definitely not advising you to go on the web and subscribe to a "black box" system (using buy/sell triggers if don't know why they are being generated). What I am advising is developing a trading technique: a general set of rules and a trading concept. As you progress, you may want to put the different rules and indicators into a computerized system, but the most important factor is to have a focus and a plan. Don't just wake up in the morning and trade "blank."

3. Survival

This is the key! Do what you need to do in order to survive this brutal business and give yourself the chance of being here down the road with more experience and a better chance of success. Survival is probably the biggest key for beginning traders. There is a saying in this business: "live to trade another day." It is so true!

4. Money Management

While it is closely related to survival, money management can also stand alone. For your own survival, you must set trade/daily/weekly loss limits. Sound money management is closely associated with knowing your risk-reward ratio (again, per trade and per time frame).

5. Goals

You should have a game plan and established goals which will function as a road map to measure your progress and improvement. Set per-trade goals, daily goals, weekly goals, etc. Many of you who are clients are familiar with these questions: What is your daily profit goal? Where do you see yourself in a week from now.? Six months from now? A year from now? How are you planning to get there? Break it down into small steps, and you'll always know whether or not you're on the right track.

6. Experience

If you made it to this stage you're on the right track! Just like anything else in life, the more experience you have, the greater your success is likely to be. The key is to acquire the experience without devastating your risk capital. What good is experience without risk capital in your trading account?

7. Learn your Setups, Strengths, and Weaknesses

Teach yourself to recognize different set-ups that you feel comfortable and confident with. Then attack. You cannot get to this stage without going through the previous steps. If you did not survive, develop a trading system, set goals, etc., you may recognize the right setups but lack the confidence or the cash to take advantage. I sometimes compare being the "pro" to the lion who is waiting patiently for its prey and then attacks when the time is right!

8. Trading on a Consistent Basis

This means you will continue to evolve as a trader and go through these stages over the years again and again.

In Conclusion

Don't be discouraged by reading this. Succeeding in futures trading takes hard work and time.

Please be realistic, make sure you only try this with risk capital only and periodically check yourself and try to learn from your mistakes and successes.

Good Trading!

Disclaimer

The material contained in this letter is of opinion only and does not guarantee any profits. These are risky markets and only risk capital should be used.

Past results are not necessarily indicative of future results. The risk of loss in trading can be substantial, carefully consider the inherent risks of such an investment in light of your financial condition.

Day trading can be extremely risky. Day trading generally is not appropriate for someone of limited resources and limited investment or trading experience and low risk tolerance. You should be prepared to lose all of the funds that you use for day trading. And more, you should not fund day-trading activities with funds required to meet your living expenses or change your standard of living.

You should be wary of advertisements or other statements that emphasize the potential for large profits in day trading. Day trading can also lead to large and immediate financial losses.

Day trading will generate substantial commissions, even if the per trade cost is low. Day trading involves aggressive trading, and you will pay commission on each trade. The total daily commissions that you pay on your trades will add to your losses or significantly reduce your earnings.

Day trading on margin may result in losses beyond your initial investment. An investment of less than \$25,000 will significantly impair the ability of a day trader to make a profit. Of course, an investment of \$25,000 or more will not guarantee success.