

Blue Point Trading

Webinar #1: The BPT Trade Plan Framework

- Why a Trade Plan
- Trade Plan Template
- Trade Plan Construction
- Trade Plan Example
- Q & A



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Why a Trade Plan

- It's obvious, if you don't have a plan you will have random results
- A plan allows you to track actual performance against the plan and then make changes
- Following a plan will take the emotion out of trading
- A written plan allows you to share your ideas and get good advice on its validity



“Can you imagine building a house without a plan?”

Question: Just tell me the trigger when to Buy or Sell. What is wrong with this picture?



The 3 Big Sins in a Trade Plan

- 1. The Trade Plan is not defined** – I trade support/resistance and just feel the market. No, you are simply guessing in a random fashion.
- 2. The Trade Plan is too complicated** – the plan has 15 indicators, 5 wave patterns and 15 candle stick formations. In the heat of battle you will not follow it.
- 3. The Trade Plan is defined but fuzzy** – perhaps the theory behind the plan is sound, but the parameters are so variable with a lot of “ifs,” you still will have random results.

Our results clearly show this is one of the biggest reasons for Trader Failure.

“If you can't explain your Trade Plan simply and precisely – you have no Trade Plan.”

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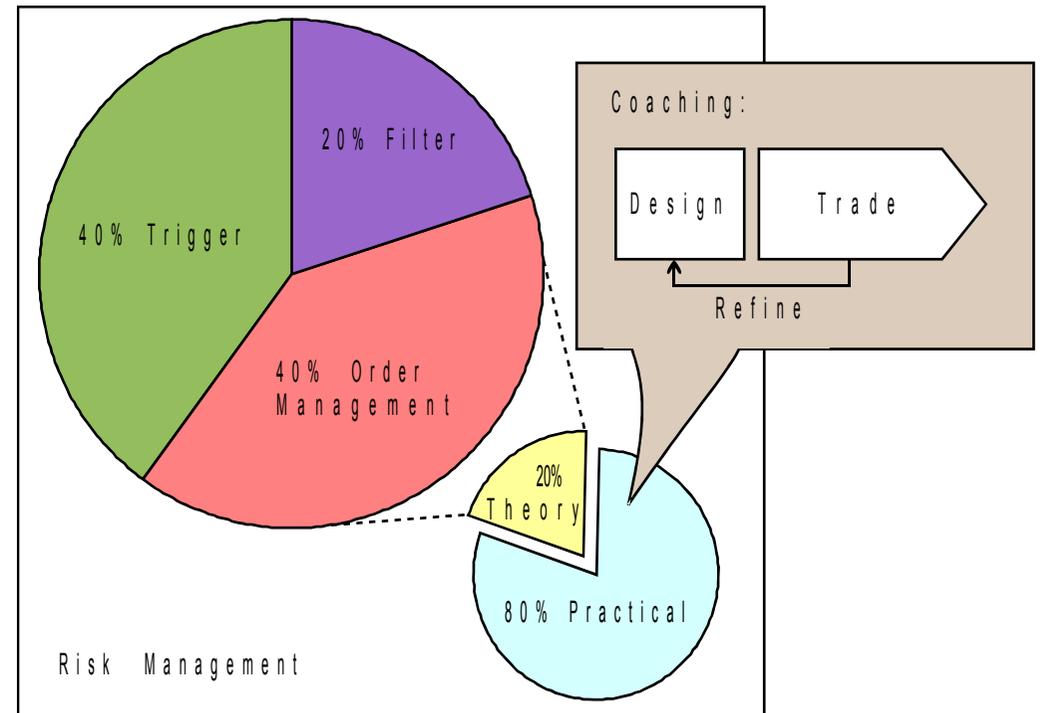
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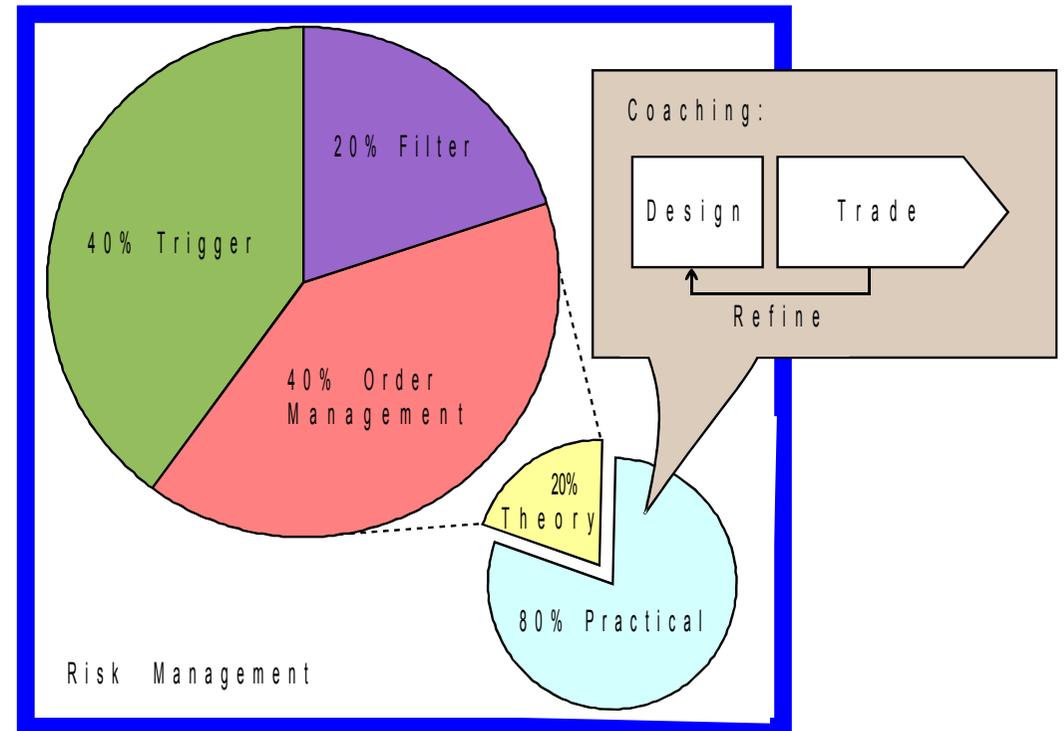
Our Trade Plan Framework

- Trade Plan design theory is only 20% of the Trade Plan
- Practice with coaching is 80% of the effort to becoming a winning trader
- Trade Plan sits on top of your Risk Management approach
- Though important, the trigger is only 8% of the overall build and application of the Trade Plan



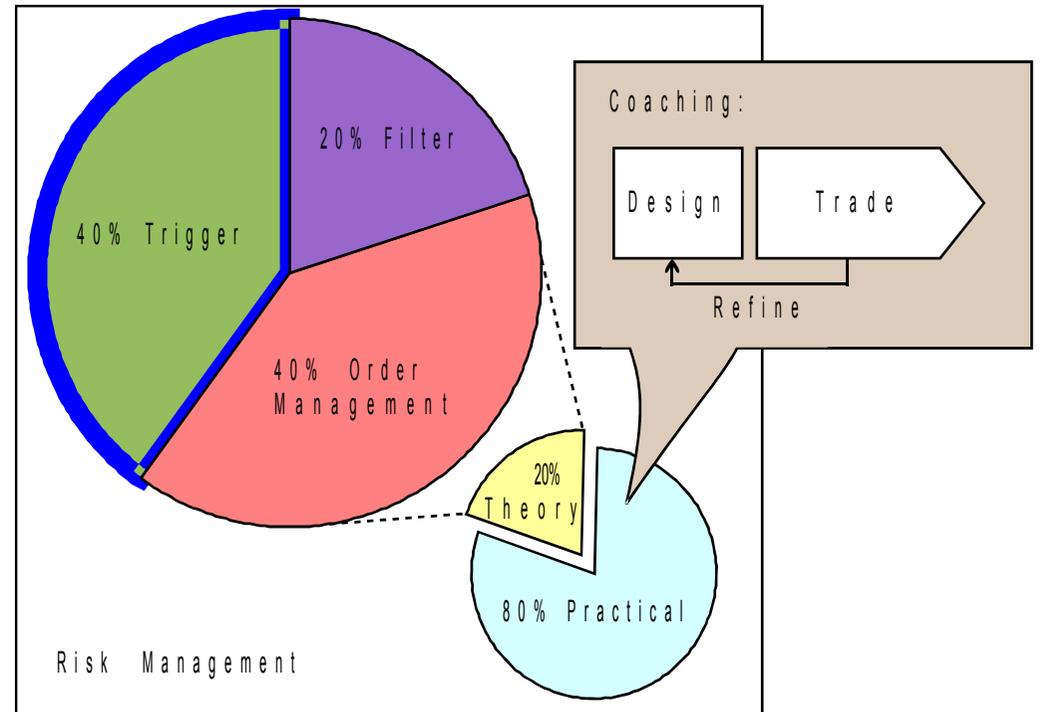
Trade Plan: Risk Management

- Risk Management for a trader is always **job one !!!**
- The entire Trade Plan sits on top of a good risk management strategy
- If your Trade Plan does not consider risk management, reconsider your approach
- Another key reason for Trader Failure
- More on this later ...



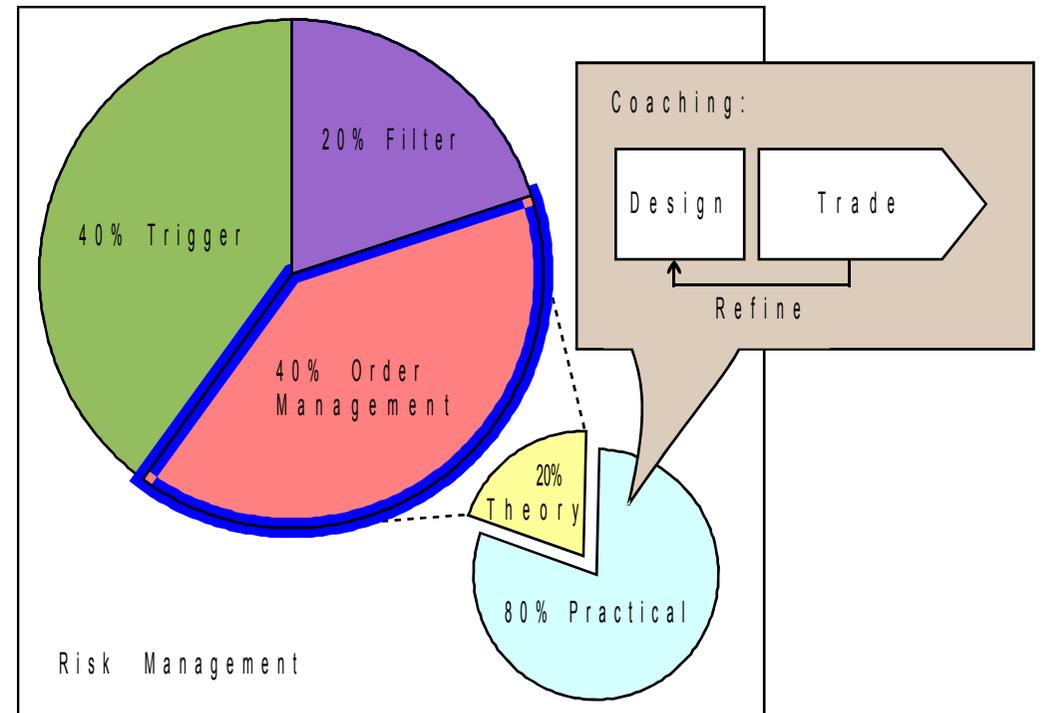
Trade Plan: Trigger

- The trigger is the set-up condition that causes the trade entry
- It must be very precise
- Look at multiple time frames and / or price periods to validate the entry
- Have several indicators to validate the entry
- Above all keep-it-simple !!!
- Remember the Trigger is only 8% of getting the Trade Plan right



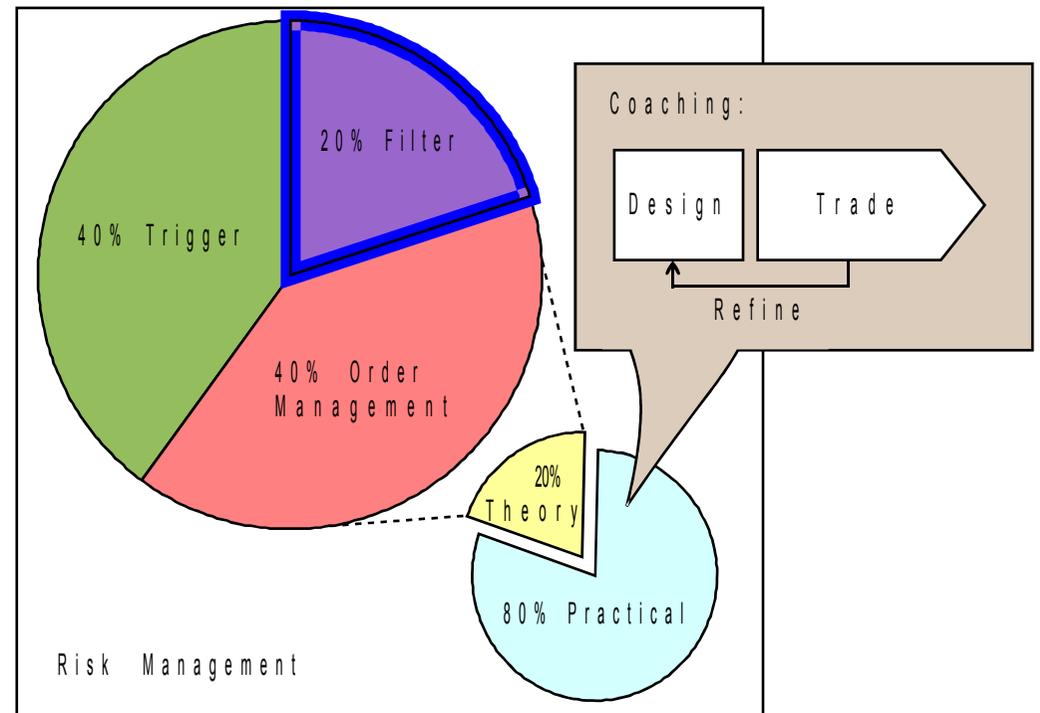
Trade Plan: Order Management

- Ensure a correct symmetry in your order management ratios
- Profit and stop ratios
- Win and loss ratios
- Common error: too many traders don't consider the math of trading (more on this under risk management)
- The greatest secret in trading is learning to scale positions – more later



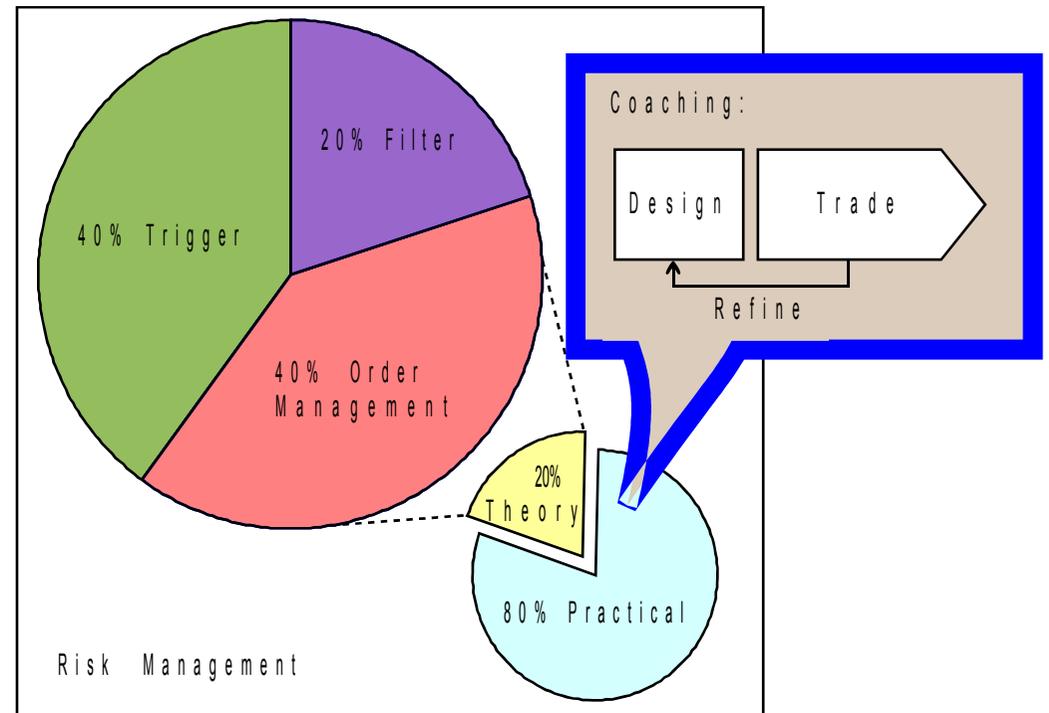
Trade Plan: Filter

- Think before you decide to trade and filter out potential bad triggers
- Potentially filter event risk – such as planned (reports)
- Good filters are Price Derived Indicators
- Market timing often are good filters too. For example: markets move as traders awake and retreat as they go to lunch or go home.
- Often it is just 5% of your trades that cause you to be a loser – filters can make the difference



Trade Plan: Practice with Coaching

- Have your Trade Plan reviewed for sanity and improvements
- Match your Trade Plan with your Trade Journal to see what works and does not work – more later on this
- Refine your Trade Plan from market learning's, and repeat the process iteratively
- This is the most time consuming part of the Trade Plan, but “practice makes perfect”



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Do we have Secrets?

It makes us laugh when we hear a trader that has a secret Trade Plan that will make you rich.

Why?

- Even if the best trader told you how they trade – you wouldn't follow it nor would you have the skill to follow it.
- All Trade Plans have losing trades. After the first losing trade – you would dump the idea anyway.
- If I gave you plans to build the best house ever, could you build it? No, you need the skills to build it – this is the key.
- So no - there are no secrets.



“There is no 'Holy Grail' in trading.”

So we are ready to construct our Trade Plan?

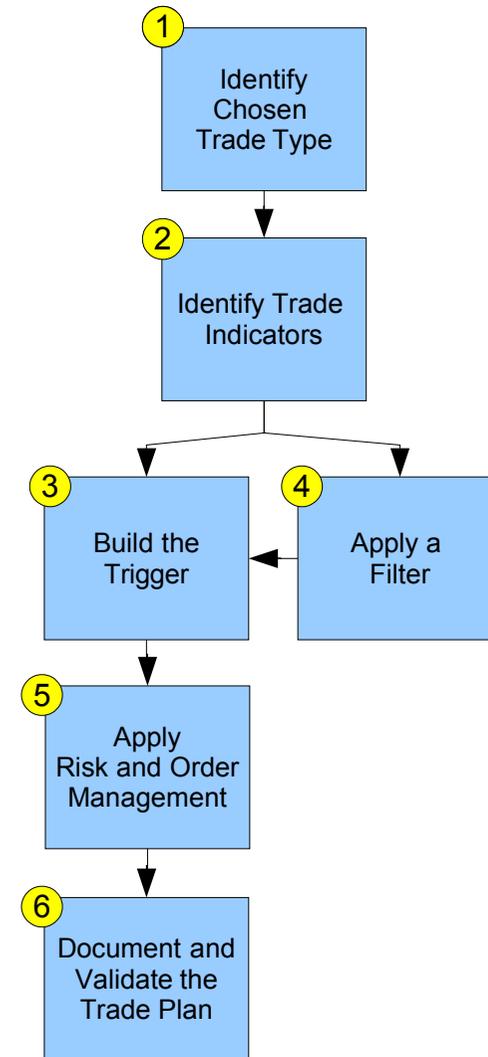
- You already have a tool kit of Indicators and Trade Plan definitions – use them
- Yes there is a methodology to construct a Trade Plan
- You must build it yourself, as ownership in your plan is key to having confidence to follow it
- But there is no shame in copying and sharing



“Good Trade Plan construction is a key to successful trading.”

Trade Plan Construction Methodology

1. Identify the trade type that suit your trading style.
2. Identify the trade indicator types and indicators that you will use. Ensure you understand them fully.
3. Build the trigger point that has at least two indicators but not more than five to avoid a complex plan.
4. Apply a filter for exceptions – i.e. when the trade could go bad.
5. Apply risk and order management. Ensure profit targets and stops are well defined and with in proper risk ratios.
6. Document and validate by visual back testing, automated back testing (if possible) and having your plan reviewed.



Back Testing

- When ever you come up with a new Trade Plan you need to back test
- Automation is better, but at least try and do a visual back test
- Try different parameters to optimize:
 - Time series
 - Indicator parameters
 - Profit/stop ratios
 - Adjust triggers, order management and filters
- Ensure you calculate win/loss ratios and potential Pip profitability
- Re-back test



“If it does not work in the back test – it won't work in the forward test.”

Build Your Personal Tool Box

- Start with one Trade Plan and build
- But do not have more than you can really watch for – most people can not handle more than 3 to 7
- Don't use too many indicators that vary far from Trade Plan to Trade Plan. Can you get these all on your charts?
- Build your own personal trader tips check list
- Lost? We gave some good Trade Plans. You can always just copy the best one you like. Also consult our on-line ToolBox for more.



“We repeat, Trade Plans should be – simple and precise.”

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Trade Plan Example

- **Name:** Inverse Cup and Handle
- **Description:** Trading the break down of a Cup and Handle price pattern.
- **Trigger:** Break of the Handle.
- **Profit Target:** 2X the Stop.
- **Stop:** Break of the lip of the Cup and Handle.
- **Filter:** Trade only in the direction of the 20MA.
- **Order Management:** PSR of 2 to 1, setting limit orders at the Trigger.



“Clearly mark on the image the Trigger, Profit Target and Stop.”

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Next Webinar #2: Trade Plan Strategies

