



## Top 5 Challenges of Futures Traders

There is a broad range of trading experience levels out there. There is also a broad range of trading account sizes. They can range from \$3000 to \$300,000 and more. Each trader has a different risk threshold. Understanding how to trade your account size can make or break you as a trader.

Below are the top 5 challenges I see most common in traders:

1. **Overtrading** – Many traders feel like they always have to be in a trade. They feel like they are missing something and crave that adrenaline rush. Just like Las Vegas, they see the money right in front of them and have to have it. Think before you click. If price action moves quickly without you, let it go. I guarantee there will be another trade setting up in the future. Set approximately how many trades you are going to take that day. Are you going to trade once every 3 days, 1-5 times a day or are you a hyper trader, craving 20-30 trades a day?

A great example of a disciplined trader would be 1 trade from 0930-1000, 1 trade from 1000-1030 and 1 trade from 1030-1115. That does not mean you have to take that many trades, it only means that you are pre-setting a plan for that day. You are establishing discipline.

2. **Too Many with Too Little** – Trading improper contract size - Traders come in to the trading world and want to trade 5 contracts with a \$5000 trading account size. That means they really don't understand their risk threshold. As a trader you must know how many contracts you can trade with your account size. My personal opinion is that you should have a minimum of \$2,500 - \$3,500 in your account per contract traded.

Imagine a series of losses. Probabilities show that it will eventually happen. You can quickly wipe out your entire account. Then where are you? You may get frustrated, quit trading or end up having to refund your trading account, only to start the whole process over again.

3. **Revenge Trading** – Also called emotional trading – Once a trader takes a loss, they instinctively try to get that money back quickly. This is called revenge trading or trading without a strategy. A clearly defined trading plan will help avoid this emotional outburst. It will save you a lot of pain. If you don't have a trading plan, then you are trading by emotions. A trading plan sets the parameters of your trade entry, profit exit and stop loss.

If you wanted to go into the pizza business, what is your first step? You need a business plan to show how you are going to make a profit. The trade plan is your business plan. It is an absolute requirement to have a trading plan in place before you start trading. This will help you avoid trading by emotion.

4. **Burn Out** – Reward yourself. If you want to watch a computer monitor all day, then knock yourself out. However, if you want to grow your income, stay fresh and stay alert. Give yourself breaks. If you are disciplined enough to watch the market for the first two trading hours of the day, then reward yourself by taking the lunch time trading hours off. Do something you enjoy. Trading during lunch time tends to be choppy.

What this actually does is to help you trade primarily during higher volume time frames. I also like to come in the last 45 minutes of the trading day. That way I am trading in the morning with the masses and into the close with the professionals. We use a detailed time chart to understand what time of day to trade and what time of day not to trade.

5. **Rich Expectations** – Traders come in expecting to get rich quick and that is exactly how they are going to end up in the poor house. Having unrealistic expectations can also trigger “must have” emotional trading. Some traders come in with a \$5000 account expecting to make 10% or \$500 a day. That is a 2,400% annual return. Does that sound realistic? Start by setting a daily target of 1% per day, adjust as necessary. Allow for one losing day per week. Project what your expected rate of return will be for one year. Now you have a realistic place to start.

There certainly are other challenges that traders face. In my opinion the most important is discipline to follow your trading plan. Know when to sit on the sidelines and know when to make your move. If you want to trade for a living, treat it like a business.

For more information on consistent trading, visit [www.tradershark.com](http://www.tradershark.com).

***To your trading success,  
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