

“How to Fix the Top 10 Fatal Errors of Trading – One Flaw at a Time”

April 14: #4 – Unrealistic Expectations



From the Active Trend Trader

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Effects of Fatal Trading Errors

*Those **ill prepared** will Fall Prey to the Fatal Errors!*



- They are victims when something like this happens



Which can be devastating!

Top 10 Fatal Errors

1. Trying to Run Before Learning to Walk
2. Trading Strategies before Knowing the System
3. Failure to Develop a Routine
4. **Unrealistic Expectations**
5. ~~Failure to Use Price Clues — Entries, Exits & Trend~~
6. ~~Trying to Get Even~~
7. Psychological Challenges
8. Spread too Thin
9. ~~FEAR~~
10. Trading too Much/Trading too Little



“If you don’t know precisely what signal is yours & how you will size and manage your position—STOP TRADING!

~Peter Brandt

Top 10 Fatal Errors

4. Unrealistic Expectations

- Understand what it really takes to replace a salary trading
- Being under Capitalized
- Trend Trading Systems: 20% per year with a 50%-60% Win/Loss Ratio so do the math!
 - *Work Salary: \$100K to replace the trader needs \$500K in trading Capital*
- Consistent Stable Monthly Income – More like a commission job, prepare for drawdowns

To Avoid: Don't think you will be different!

Top 10 Fatal Errors

4. Unrealistic Expectations

- Expecting to make your first million in a week, or even in a few months, is quite unrealistic. It's best not to think in terms of millions. Instead, think in daily earnings that compound. Getting ahead of yourself distracts you from the task at hand and usually leads to disappointment and failure.



- Unrealistic expectations are emotions and emotions are one of the trader's worst enemies. If you can't combat this, you'll lose, succumb to frustration and then lose more or give up entirely.

Top 10 Fatal Errors

4. Unrealistic Expectations



- *To Avoid:* A trader's goals should be focused, realistic and short-term. Especially if you're just starting out, it is not helpful to set a long-term goal that you don't yet know how to achieve. Allow yourself space and time to discover what works best for you. And, setting small milestones can be motivating when you achieve them.
- Have a goal going into each day and a plan to achieve that goal. Live in the present reality and perfect it.

Top 10 Fatal Errors

4. Unrealistic Expectations



- Take it from trainer Tim Bohan, who's seen plenty of new traders dive in with unrealistic expectations and then get burned.
- "New traders think they are going to turn \$500 into \$500,000 in a year. They go too far, too fast," says Tim. "They get their position sizes too big. They hold on too long. They blow up and then they say trading doesn't work. It's important to let go of expectations when you start trading.
- "Remember that 90%+ of traders lose, so if you don't take this seriously, you will likely become another statistic. Even the most experienced traders have a 35%-win rate."

Top 10 Fatal Errors

4. Unrealistic Expectations

- It's unlikely that you'll see a home run with your first stab at a strategy. A trading strategy is like a tailored suit. One size doesn't fit all and there are always alterations to make. The best way to manage your expectations is to understand from the start that you can easily alter your view of the market depending on what price action is telling you.
- If you understand that you can't control the market, but can manage your expectations, you will be able to make trading decisions that are rational. Rational decisions lead to more wins than losses and that is the ultimate goal here.
- While we always hear about the wild successes of other traders, there are far more stories about mistakes and lessons learned—they just aren't shared as enthusiastically. But, at the end of the day, as a trader, you will learn much more from your mistakes than you will from your wins.
- **The bottom line:** Don't be afraid to lose. Losing is unavoidable. The trick is controlling your losses by sticking to your plans and stop losses. It's also important to understand that not all losses are the result of doing something wrong. The market isn't always rational; in fact, it's a sentient being, thanks to all the irrational players speculating on it.
- No setup is going to work 100% of the time. As long as you've done your homework, it's not your fault.
- One the most important steps in trading is to have a plan for entering and exiting a trade. Consistently profitable traders have a plan, people who don't have one fade away.

Top 10 Fatal Errors

4. Unrealistic Expectations

- So, do you have unrealistic expectations? If the answer to any of these questions is 'yes', it's probably time for a rethink:

#1 Are you over-trading?

- Are you making too many trades simultaneously? More than a few trades and you won't be able to manage them or to keep up with events that dictate when you should exit. **This is where your plan can fall apart.**

#2 Are you 're-trading'?

- Even worse, are you repeating the same trade you just made, because you exited on a loss and want to try again? Or, are you buying the same trade you just sold because you think you sold too early and could have made more? **Don't chase losses and don't buy or sell impulsively.**

#3 Are you over-leveraging?

- Are you too impatient with the pace of growth in your trading account and upping your position out of impatience rather than based on sound research? **Size is Important!**

#4 Are you trading randomly?

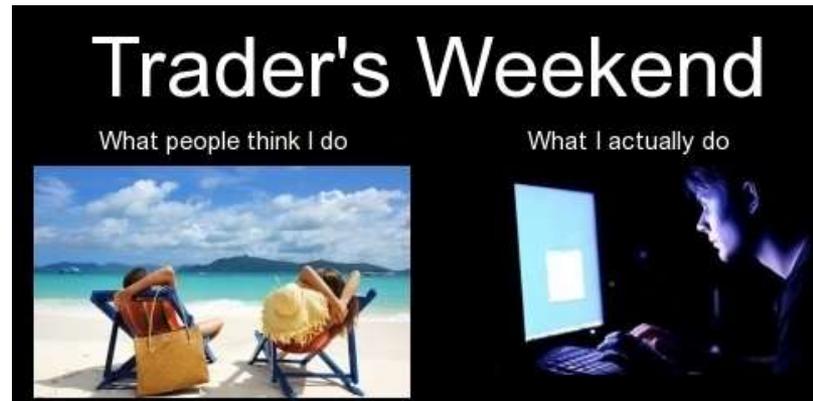
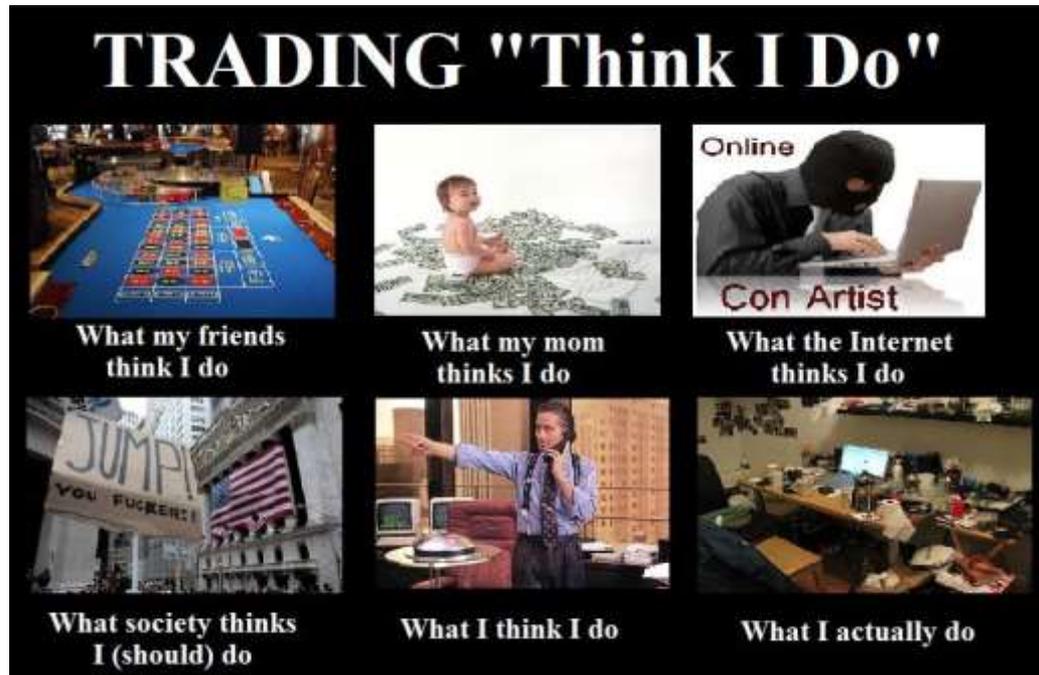
- Some traders don't feel like doing their homework. It seems overwhelming, so they just close their eyes and make a trade that seems good. **Random trading works about as much as gambling. Gut feeling isn't enough here.**

#5 Do you believe in the Holy Grail?

- If you think there's a Holy Grail trading strategy, then you likely have unrealistic expectations. There isn't one. There's just Rules & Tools. **There are far too many variables in the market for a Holy Grail.**

Top 10 Fatal Errors

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Change the Way You Think!

Understanding Compounding

Bonus Trades for BMM Members

Clarify, Simplify & Multiply

This has been the Motto of Active Trend Trading from the beginning!

We continuously work to Clarify & Simplify through refinements to the system to make it objective and easy to both learn and use.

The purpose of all presentations is to provide our fellow Active Trend Trader Members a jump start to accelerate progress up the Learning Curve.

We welcome suggestions on how to improve the learning process!

Trade Wisely & Profitably,
Dennis W. Wilborn
Founder & Lead Technical Analyst