

How to Maximise the Profits from your Trading

Presented by:

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John Piper's Trading Tips

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You are about to discover our proprietary formula to take a moderately successful trading approach and turn it into a mega-money spinner with minimum risk. I'm not talking about hundreds of dollars or even thousands of dollars, but tens of thousands, maybe even millions of dollars, or pounds, or Yen – you can choose your own currency!

How do you maximise your profits?

The process is to scientifically and progressively increase your trading by exposing your system to an increasing number of markets in the shortest time at the lowest cost with the least risk.

The first step is the trading idea. For the purpose of this short report I am assuming that you have the idea and that you have done initial testing on it. If this is not the case do not despair as this part of the process is not as daunting as you might think. I will be looking at this again at the end of this report.

The process is best started with your best performing trading ideas/system and the idea needs to be fairly mechanical so that it is not affected by any mood swings you may have. Traders without a mechanical approach find that they are prone to trade on the basis of their emotions at any time. Experienced traders will have overcome such problems.

It is also important that the idea is fairly simple as you need to develop your trading skills and you won't want to cut

your teeth on a monstrous trading concept which may well finish you off before you start.

The goal is to start small and then to increase your trading size in two, possibly three key ways:

- The amount you trade on each position.
- The number of markets you trade.
- Possibly you may also want to increase the frequency with which you trade each market but your system may not allow this.

As a trader there is just you and the market. You can do everything from your computer and this will allow you to “work” from anywhere in the world. You don’t need a product, you don’t need to build websites, you don’t need to recruit sales people and you might just work 15 minutes a day – **at the same time the potential profits are endless!**

So this skill is worth spending some time and money on and this is the purpose of this short report. It is designed to show you the basics – but be warned:

- Trading is not for everyone. It is a tough competitive business and you need to be disciplined to succeed. Trading can also be fun but if that is what you are looking for the market can be a costly place to find it.
- Our formula involves increasing your trading as you become more successful – you may find you have

difficulty accepting the level of risk/reward this might involve – particularly the risk side of that equation.

- You must be able to measure your system's metrics. Knowing the percentage of winning trades you make and the ratio of the amount you make to the amount you lose is an extremely important part of this process.

Here are the two metrics explained in more detail:

- The first metric is simply the number of winners divided by the total number of trades. Very often this works out at slightly less than 50%, maybe 45% - depending on the type of system you use. You can achieve much higher success rates but this tends to have an adverse effect on the second metric.
- This is more complex. The second metric measures your total gains from your winning trades and divides them by the number of those trades. It then measures the total losses from your losing trades and divides that figure by the number of those trades. The ratio is then the first divided by the second and it needs to be in excess of 2, preferably in excess of 2.5.

Here is an example. We take our first 100 trades, 40 are winners, 60 are losers. Our first metric is 40%. Our 40 winners make \$20000 = \$500 per trade. Our 60 losers lose \$10,000 = \$167 per trade. The metric is 3 (\$500 divided by \$167) – which is excellent!

Incidentally the profits and losses are calculated after you have paid brokers' commissions.

Why are the metrics so important?

Because every trading system is unique, as is every trade and your system will work differently on every market you trade. These figures are more than numbers; they are the **benchmarks** you need to reach before you can **expand your trading**.

If you see a problem as you develop this business, and make no mistake it is a business, you can immediately see what it is by comparing your results to your benchmarks.

Two assumptions

- I have already mentioned that you will need to develop **your own trading idea**. But there is plenty of help available – see Resources at the end of this report.
- You will need to have undertaken some initial testing on paper to see how the system might operate in the market itself. This is not a complex process and follows naturally from the initial design of the system.

Now it is time to start

As you test the validity of a new trading idea or system, it's very important to spend ample time on the first few steps, especially paper trading. It is all free at that point and if you

don't put in the groundwork you may find that you blow your entire budget on a system which has not been properly tested in the heat of the market itself.

Each step has been carefully positioned in terms of least risk and least cost. It is how you should approach everything in life – go for the low hanging fruit first, make sure the systems work, and then maximise your efforts.

Step one – Back Test your idea

The first step is back-testing. Nice and simple with no real money at risk. This is the key stage but many people can't be bothered. Why not? Because they want to trade, they want to have fun, not work at it.

Don't make this mistake. Back testing is the foundation stone on which everything else is built. It is also the stage during which you get to see how your system parameters work in the real world – there are now computer systems which allow you to use real trading platforms to place the trades so you do exactly what you would do when you do it for real – [click here for details of IQ trader](#). This system also allows you to input your system parameters and test them over a variety of markets.

So you can either back test by hitting one button or put the trades through as the system scrolls through the back data. I always do both. One recommendation I would make it to visualise that you are actually doing the trades as the system scrolls through, how you would feel with your money at

risk as the market bounces up or down until you end up with your final profit or loss.

At this stage you can also change some of your parameters to enhance system performance. Indeed the software I mentioned, IQ trader, will back test your system with a variety of different parameters – the best systems are stable, meaning that minor changes in a parameter will not have a huge effect on profitability. If minor changes have huge effects then that is not a good sign.

Step two – Paper-trade your idea

Up to this point you have done everything you can do to test your system. Once your system shows the right metrics which means that you have an edge (in general as long as metric one multiplied by metric two produces at least 120% you have a reasonable edge) it is time for step two. No, you do not rush out and throw thousands at the markets, step two still involves no money. Neat huh, **this is still risk-free!**

Here is one reason for this – in the development stage there is a pitfall called over-optimisation which means that you have “curve-fitted” your system to the market data you are working on – if you do this your idea is unlikely to work at other times and on other markets.

Another reason is simply that the data you use may be atypical. But there are lots of reasons and paper trading is also a good reason because you get another chance to visualise that you are trading for real and this time it really

is “real-time” – you cannot push “fast forward” and must wait for the market moves to unravel. As the market gyrates around pushing you into profit or loss you may find that this has an emotional affect on you – this will give you a feel for what trading is all about.

Step three – a quick word about risk

As a trader there are two factors which you will become very familiar with – at least you will if you are going to succeed. These two factors are **Money Management** and **Risk Control**. The first concerns how much you risk on each position and when you increase or reduce that amount. The second is more general and simply means reducing risk at all times. The markets are very high risk, to win you must adopt a very low risk approach.

I wanted to mention this before we get onto to real trading as controlling your risk is the single most important factor that will help you win. Not controlling your risk is a short cut to the poor house!

If you decide to adopt the markets as your road to riches then you are going to need to study these concepts and I will be giving you a number of resources for doing just that. However I will say no more about these two key factors right now as if I did this report would simply get too large and I want it to be easily digestible.

Step four – You trade for real – but use strictly small sums to do so.

We are now leaving our safe environment and hitting the markets for real. Yet again we want to keep our risk to a minimum and here are four suggestions:

- Always use “mini” contracts where these are available.
- Always go for low value contracts where possible – for example the Euro\$ contract is very small.
- Use UK Spread-Betters where you can sometimes trade for as little as 1p per point - yes just one penny!
- Just trade one market to start with – choose the market that tested out best.

Trading with real money will affect you in unexpected ways. It will trigger emotional and instinctive responses that may make you break your trading rules. This is important as you have just spent a fair amount of time building your system which means you have just developed those rules.

There are three points here:

- The more visualisation you did in steps one and two the better you will be able to deal with trading for real.
- Even if you notice that you are breaking your rules you may not be able to stop yourself the first time –

especially if it gives you a better profit. But try harder the next time.

- If you feel that a change is a good idea then simply repeat steps one and two and **test it out!**

Step four is only over when you are making consistent profits – do not even think about going onto step five until this is the case.

Step five – increase your trading size

This is a major step forwards and I have known many traders who only now start to trade the amounts they had intended to trade as step one. I have also known many traders who have simply skipped steps one to four – all of these have failed. **Let me repeat that, every trader I have known who has skipped steps one to four has failed!**

The silly thing is that there is no point in skipping steps one to four as all you could possibly lose by doing those steps is some time. **What you lose by not doing those steps is any chance of success.** Think about it.

Step five is fundamental for another reason. Up to this point we have been focused on losses, on what our trading might cost us. Now we are focused on profits.

If we had adopted step five as our first step we would also have been focused on profits but we would have been living in a fool's paradise. We would have known nothing about the markets and have had no useful data (our

metrics) on our trading idea. But as we have reached step five we have fully tested our idea – **we know we are going to win before we start!**

This is not to say it is going to be easy. There will be setbacks along the way. You may find that your system suffers from practical problems you were not aware of when you started. But everything worthwhile in life suffers from such problems and you are building on rock, not sand. As you move forwards all the work you have put in already will stand you in good stead for the future.

You may find that you have to go back and modify your system; re-test the parameters. No problem! You have done it once, it will be a lot easier the second time.

Step six – Increase trading size as profits grow and start to trade other markets

You're on a roll! You've worked on your idea and proven that it works on paper. Then you went into the real world and it worked there too! So you increased position size and the money is rolling in.

The next step is another major advance in that you again increase position size (my book [The Fortune Strategy](#) deals with this in some detail) and start to trade other markets – but only after carefully testing, ie going through steps one to four on that market if you have not already done so.

At this stage I would also strongly recommend developing other trading strategies. Markets do change and the more

profitable systems you have, the better prepared you will be in case of adverse changes.

At the end of this report you will find a list of resources including details of my FREE news sheet.

But now for those of you who don't want to actually trade markets there is...

Optional step seven – sell your system

Trading is not for everyone but a tested system has value and can be sold to traders who would rather not do the work themselves. So even if you decide not to trade yourself you can still make money – and this route is also very low risk.

There is a distinct similarity between the creation and maximisation of a trading idea/system (aka an algorithm) and an online marketing promotion. Both involve testing and development of an initial concept with the final aim of creating a “money machine!” Some may see this is “easy money” but it is far from that. There is a lot of hard work involved before reaching the end of the rainbow, once there you may well have found financial freedom for the rest of your life – so all that work is very worthwhile, but do not expect the journey to be easy or free from many obstacles.

Conclusion

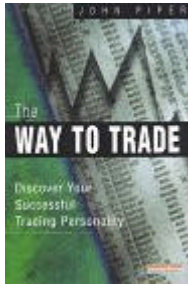
The six step process is not hard and you may find more difficulty in discovering a trading system which you can profitably take through these steps.

But the more work you put in the more experience you will get. **If you persevere you will get there.**

(with thanks to [Online Marketing Letter](#) for the concept)

Resources

If you would like to receive my **FREE news sheet** then simply send a blank email to jptt@aweber.com



My first book ***THE WAY TO TRADE*** is a bona fide best seller at Clickbank.com (the biggest seller of e-books in the US). We have sold over 10,000 copies over the last few years so we must be doing something right.

It will tell you all you need to know about markets and trading – if you are serious about this business it is a great place to start.

And the reviews?

"In the book, John Piper takes you beyond theory. He provides an essential lesson that most beginners never get."–

Dr. Alexander Elder, author of *Trading for a Living*

"An excellent book written by a professional"

"Fascinatingly written from the angle of a practicing trader"

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My second book ***THE FORTUNE STRATEGY*** is more specific and will help you with system design and planning your success. It is also sub-titled turn \$250 into \$250,000 and tells you how to do just that!
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THE TECHNICAL TRADER is my twice monthly news sheet giving my views on the major markets and how to trade them. Check it out at
<http://www.the-way-to-trade/hot/sheet-197.php>



Last but not least is my trading web site for serious traders. Subscribers get ***THE TECHNICAL TRADER***, a FREE copy of ***THE WAY TO TRADE*** and daily reports on markets and the performance of our trades.
<https://www.johnpiperstrading.com>

In addition to the above I also offer a trading/mentoring service and also give regular seminars with webinars planned for the future. Email john@tttt.freeseve.co.uk for details.

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