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TRADING OPPORTUNITIES FOR BUSY PEOPLE

Learn how to navigate the futures markets despite the hustle and bustle of everyday life

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Important Information about Trading Futures and Options on Futures

This communication is intended as a solicitation. Futures trading involves the substantial risk of loss and is not suitable for all investors. Trading advice is based on information taken from trades and statistical services and other sources which RJ O'Brien believes are reliable. We do not guarantee that such information is accurate or complete and it should be relied upon as such. Trading advice reflects our good faith judgment at a specific time and is subject to change without notice. There is no guarantee that the advice we give will result in profitable trades. All trading decisions will be made by the account holder. **Past performance is not necessarily indicative of future trading results.**

When analyzing option strategies, it is important to take into account the commission and fees associated with making a trade. Similar to trading futures, each contract executed in an option strategy is charged commission and fees. Commissions and fees from brokerage firms can be up to $99 per round turn with the vast majority of people paying significantly less. Your actual charges may vary based on the service level you choose.

The two primary factors investors tend to overlook when trading options include:

> Each contract traded is charged a commission. This is often misinterpreted with a spread or strategy as each contract within a spread or strategy is charged a commission. If you trade one bull call spread, your account would be charged for 2 contracts rather than 1 spread.

> Customers often try to sell or collect premium on options that are far out of the money with the belief that they are collecting *"easy money."* The further away an option strike price is from the current market price, the lower the value of the option. Make sure that you are not paying more in commission and fees than what you are collecting. Keep in mind that until an option expires, you do hold risk in the positions. Is the net premium collected after paying commission and fees worth the risk?

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Introduction

Modern life imposes an increasing burden on people as they juggle personal and family responsibilities, the need to stay healthy and fit, and professional pressures.

Achieving a good work-life balance, while also trying to identify good trading opportunities and execute them effectively, sometimes seems impossible.

In this eBook, we will show you how busy people can make the most of their trading opportunities by effectively managing their time in the market.

A key question all traders need to answer is whether they should be a day or a swing trader.

We explain the differences between day trading and swing trading, and why it is crucially important to ensure that your favored trading approach is a good match for both your personality, and the time that you have available to trade.

And we provide a series of useful time-saving tips that will ensure that you get the most out of each of your sessions in the market.

Day Trading vs. Swing Trading

Let's make sure we understand both the differences and similarities between day trading and swing trading and why it's important for traders to make sure they find a market and an approach that suits their style.

Day Trading:

The objective of a day trade is to capture the *intraday* movements of a market. These trades are usually executed on lower timeframe charts - 1, 5, 15 to 60 minutes.

Day traders usually hold their positions for a very short time and make numerous trades each day with the trades typically being closed out before the end of the day. Day trading can be a very effective way to trade highly liquid markets with high volatility. These would include the index, currency and commodity futures markets.

Swing Trading:

By contrast, a swing trade is held open for a few days or sometimes weeks. Although it can develop from a four-hour chart trade and get to its target in the next candle (i.e. next 1-4 hours), as a general rule positions are held for a couple of days or more.

The objective is to capture the "*swing*" movement of a higher timeframe trend, usually lasting a day or more. For example, we might move from a higher low into a higher high on a daily chart - it could happen within one day, but generally it takes multiple days for these longer term "*swings*" to play out.

Swing trades are usually executed on mid or higher timeframe charts. But again, ultimately how long we spend on the trade is dictated by what the chart is showing us. Swing trades suit all markets that trend well and low volume is usually less of an issue than with intraday trading where lots of volume and liquidity is essential to get accurate price fills.

Personality matters

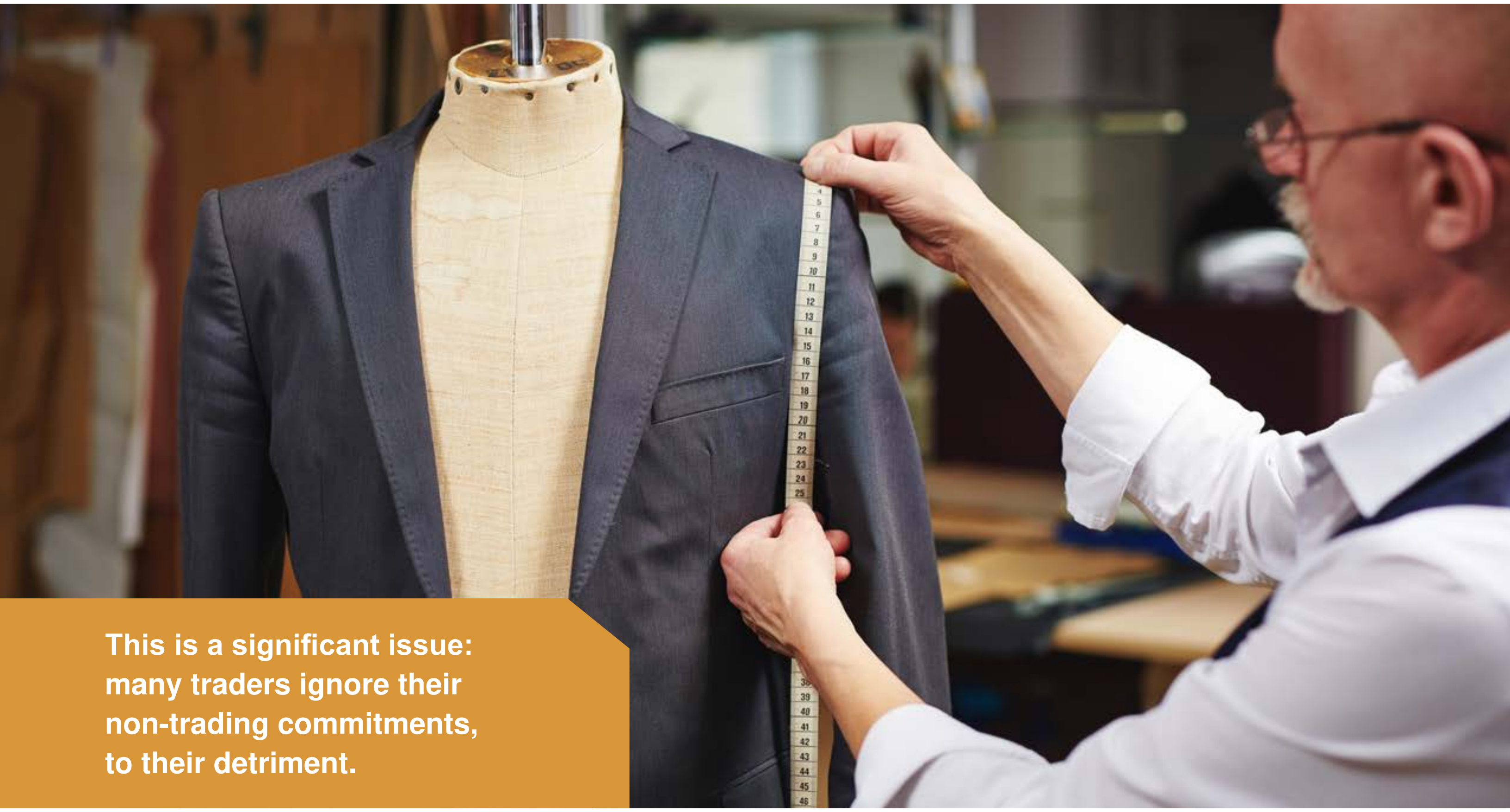
So which approach should a trader adopt? Each individual has to decide which style is best for them - personality and temperament are some key factors here.

Some people like to take their time over decisions, are very detailed in their approach to life, and like to make sure they have done all the right checks to make sure they have the right trading opportunity. But if you do that on an intraday trade, you may well miss the entry for the trade, so that approach may not be best suited to such a personality.

Alternatively, some people prefer intraday trading because they like to get their results quickly. Others, especially beginners, can find this approach stressful and may find it easy to get distracted away from their strategy. And if they are too quick on the trigger and just like pressing the buy and the sell buttons, that could be equally dangerous!

Keeping a balance

Equally important is that the trader's style has to fit in with their day-job / family / life - in other words, their non-trading commitments. Learning how to trade takes a lot of effort and it's important to replenish that energy and maintain a good work-life balance.



This is a significant issue: many traders ignore their non-trading commitments, to their detriment.

How Much Time Can you Commit to Trading?

Which style is right? Trading is one of those rare professions you can work on both night and day. But traders should think realistically about how much time they have available to trade and what hours of the day will work best. For example, if they are mostly outside an office and away from a computer during the day, an intraday strategy might be unrealistic.

Trading is a constant juggling act between trading, work, family, socializing, health and relaxation. Day trading can be a full-time occupation for many, although it certainly does not need to be. By contrast, swing trading can often fit more easily around an existing life style.

For swing trading, generally traders will need to spend a minimum 30 minutes or more per day. But that will depend on the number of markets they trade and the number of set ups they scan for. Beginners might spend an hour or two making a thorough scan of all the markets that they like to trade, depending on how efficient they are. Then they can create a watch list of markets they are interested in and delve deeper into those opportunities thereafter. If you traded a set up based on the daily chart, as it takes a day of trading for a candle to complete, you wouldn't be required to stay in front of your trading screen all that time.

Day trading time commitments will depend on the strategy, but 60 minutes or more of trading time for any one sitting is typical. Many full-time US day traders will trade the morning session, break for lunch and then trade the afternoon and into the close. Some will only do the morning; some will only do the closing and some the full afternoon session. Where day trading perhaps differs most from swing trading, is that it usually requires much more time in front of the screen.

Once you decide which approach best suits you, there are two distinct approaches: a fixed and a flexible approach.

- **Fixed traders** will trade the same amount at the same time each day. They may be able to choose when they trade or it may be chosen for them by their non-trading commitments which could leave them with a small window. Often traders with a fixed schedule are those who maintain a day job or have other constraints on their time. Finding a market that ticks all the boxes of lifestyle, personality, temperament, risk profile and weekly schedule can be tough but is almost always doable.

- **Flexible traders** trade at different times throughout the day and are often people who see themselves as full-time traders due to trading being their primary focus and source of income. Remaining focused and disciplined all the time imposes a new level of risk, especially if the markets are going through a quiet period when it is important to focus on taking good trades and avoiding the desire to trade weaker setups in a weaker market.

Time-Saving Tips

Be effective with your trading time

It’s important to allocate trading time correctly. The time should be used for:

1. Scanning through popular futures markets for set ups, in order to come up with hot markets for the trading watch list.
2. Placing new trades and managing open ones.
3. Back testing or enforcing a trading concept. This can take a lot of time and is best saved for down time when you are not in the market and won’t be distracted
4. Staying on top of news events and new techniques is essential, but reading news, blogs, bulletin boards, the latest trading book, etc. should not be included in your allocated trading time.

Alerts: Note that setting audio alerts allows traders to spend time away from the computer. It’s perfect for trades that have been identified, but where the trade doesn’t need to go on until just before they trigger.

Be very specific about your trading strategy

Having a feeling isn't the same as having a strategy. Traders have to ensure they have absolute clarity on what their strategies are and what constitutes them. They should be able to write the rules of their strategy and make sure each trade adheres to those rules.

> Having defined strategies and limiting the watch list to the popular markets has obvious time-saving advantages.

We cannot catch every single move in the market!

> Use a written checklist for trading strategies. This can dramatically decrease the time it takes to undertake a scan and decide which markets to trade, and increase the probability of a successful outcome.

Every additional and well considered element to your trading rules can increase the probability of taking the right trade. But we don't want to have so many rules that we await perfection and miss moves altogether. The goal is to take the trades that can produce a high probability of reaching your target and have well protected stop losses.

And while a great strategy is a crucial part of trading success, it's not the most important element. Always remember that the greatest traders focus on what they risk in a trade, not on what they hope to make. We advocate risking a maximum of **1-2% of the capital in your trading account** on any given trade.

Remember: Risk management is essential to long-term success.

Trade with a confirmation chart

A confirmation chart is a higher timeframe chart to the one that a trade is identified on. For example, a weekly chart could be a confirmation chart for a daily chart trade setup. Using a confirmation chart can increase the probability of a successful outcome as it ensures the trader is working with the higher timeframe trend and that major long-term support and resistance levels are taken into consideration.

Focusing on the confirmation chart when conducting scans can quickly eliminate the need to look at lower timeframe charts. For example, the set up may require the following on the weekly confirmation chart:

- A trend is established
- The moving averages are in the correct order
- The price to be pulling back into the 20 period simple moving average

But if the chart in question is not meeting these criteria, then why bother wasting time looking at any lower timeframes? Save time by moving to the next market.

Learn to sit on your hands

One of the hardest things for a trader to do is nothing. We don't like to sit on our hands. We feel as if we should be doing something - anything. But the reality is that sometimes there will be opportunities galore, and other times nothing. Remember, the day you don't place a bad trade that wastes capital, is a good day.

> One of the hardest aspects of trading is accepting that nothing is setting up, and therefore doing nothing.

> When that happens, either walk away from the computer or undertake back testing, or re-analyze. But avoid trading just for the sake of doing something. And be aware that the longer and harder you stare at the charts, the greater the likelihood that you will start to imagine set ups!

> Being active doesn't necessarily mean putting in a lot of trades. Overtrading is one of the biggest issues new traders encounter and they often don't know they are doing it.

Accept that the market is random

Traders need to come to terms with the fact that the market is random, and that the chances of winning or losing on a trade is based on the type of strategy being traded.

If they develop an edge by perfectly executing their trades according to pre-defined rules, the outcome of a large sample of trades should be consistent (i.e. statistically reliable). Traders need to trust their edge to develop consistency, and avoid jumping from one strategy to another.

Just think:

If the edge gave a win ratio of 55%, how likely is it to have a losing streak? And if you were on a losing streak, how would this impact decision-making about the next trade?

Successful Strategies for Busy People

There are a number of factors that contribute to trading success. As we have outlined above, one of the keys for a trader to become consistently successful is to begin by looking within, at their own personality and preferences.

Traders need to decide whether they are better suited to fast pace of day trading, or the more considered approach of swing trading. They would also need to have a very clear idea of how much time they can dedicate to their new profession, and allocate set times in which to trade, as well as ensuring work-life balance by leaving space to meet other life commitments.

Remember that 24 hours a day, 5 days a week, there is a market somewhere in the world that is open and able to be traded on a swing or intraday basis. The advice in this guide provides sound concepts to help traders maximize their participation in the markets, and avoid time-wasting mistakes.

Additional Resources

Thank you for the opportunity to provide you with this educational material. Anyone can offer online trading in online markets, but RJO Futures is not just anyone. We are specialists devoted to delivering the best possible trading experience for our clients. Whether you want to trade on your own, tap into the experience of our brokers or let a professional money manager make the calls, you can do it all at RJO Futures, the premier provider of futures brokerage services.

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