Spec-K Trading: Trading Plan Template

(version: 8/7/2019)

Every professional executes the processes of that profession with a complete, clear and robust written plan. Here is a complete template for a thorough professional quality trading plan that speaks to all required elements. Plan your trades, and trade your plan!

Trading Plan Template

Trading equity allocation

The specific amount of money to be deployed per the specifics of the trading plan. Usually all, but sometimes a fixed starting amount of, a single trading account (not recommended due to significant accounting challenges).

Decisions on allocation of wealth to execution of a trading plan is a higher level financial asset management decision. The safest assumption is that 100% of the allocating wealth is at risk when making such a decision. After significant trading plan execution experience, this assumption can be modulated appropriately, and potentially more wealth allocated to execution under the trading plan.

Watch list creation and management

The criteria and core process for identifying the list of stocks for trade consideration. The criteria requires design coordination with other elements of the trading plan. The criteria and the process specification must be comprehensive and eliminate discretion in

watch list creation.   The schedule (time driven or event driven) for watch list refresh must be specified.

Market State Controls

What specific techniques are used to assess overall market state, and what specific characterizations are to be well defined at all times and utilized re: trade diversification, total allocation, sizing, stop management, and any "hasty exit" tactics.

Trade diversification

How many simultaneous trades will be initiated and if and how this maximum number ever varies, and when/why it varies, must be specified. Diversification (focusing of trading capital via a small number of trades such as 4 or less) vastly impacts variance, and must be aligned with target/measured trade statistics for consideration. Only with extremely high +EV trading systems should utilize low levels of diversification. Risk of ruin and variation in results are fundamentally reduced through increased diversification. Any adjustments of diversification objectives based on market state controls.

Set ups

A specification of what causes a watch list stock to move into a "ready" position where a trade may be initiated if and when defined entry triggers fire. This is the area of the trading plans that speaks to the specific role of technical analysis, elliott wave analysis, and any other trade set up and trade entry techniques being brought to bear in the trading plan.

Trade trigger and entry

Specification of exactly what causes an order to be placed and to fire on a set up stock. Includes the precise timing of the placement of orders (i.e., once the stock is set up, vs. after set up and after a specific trigger condition is met) and their precise type and levels (for stop and/or limit orders). If additional trigger conditions must be met to initiate a trade in the market, specification of exactly how those trigger conditions are constructed and by what process and when the trader is informed and take trade execution action.

Trade sizing

How much of the total trading equity should be placed into a new trade, and of the total equity overall should be in simultaneous trades per the diversification section. Includes specification for exactly how "total trading equity" is computed (including or excluding open trade profit/loss figures in particular). If and when larger or smaller trade sizes should ever be initiated with available funds, vs. leaving cash out of the market until "properly sized" trades can be made. If and when total trading equity in the market should be varied based upon market state controls, and the trading process by which this is accomplished. This area may have required detailed specification of fundamental analysis, technical analysis, and/or Elliott Wave analysis states and/or triggers.

Trade management - Position exit

When and how to exit trades, including loss exits, profit exits, and any incremental exit tactics. If and when standing orders (limit and/or stop) are left in the market, and exactly when they are placed. If standing orders are not used, when and what type of market orders are placed based on what type of trigger, and how

and when such triggers are monitored and acted on. The process and specifics of adjustment of open standing exit orders, to what specific new levels, as triggered by what conditions. Adjustment of the exit plan based on market state controls.

Account management

Specifics of if and when total trading equity is grown with via deposit, or shrunk via withdrawal. Any pre-planned structure to deposits/withdrawals. Any adjustments to the plan when deposits/withdrawals occur. How performance tracking is adjusted to account for deposits/withdrawals.

Cost management

Plan relative to trading costs. Expected cost per trade based on selected brokerage. Net profit impact of average cost per trade vs. target/measured gross profit per trade. Cost for this analysis must include both commissions and bid/ask spread costs.

System Performance - Targets

The designed and/or anticipated (goal) performance metrics for the system. Minimal acceptable measures are: win/loss rates, win/loss percentages, average trade return as percentage (measured EV), max percentage loss, max percentage win, overall variance, and loss variance.