

How to Make \$1,000 a Day

Trader's always have a daily profit goal. What I've found over the last three-years, working with traders, is that they make one very crucial mistake when it comes to daily profit goals; *trying to achieve a goal they feel is obtainable when the mathematics state it's not.*

I created a spreadsheet that calculates the trader's average profitability over a minimum of ten days. The spreadsheet produces the difference between a desired amount, say \$1,000, that a trader wants to make on a daily basis and the actual amount he/she is making *based on their winners, losers, scratches, and the average daily trading range of the commodity they're trading.*

This may sound simple, but it's not. By entering the trader's *winners, losers, and scratches plus the average range of the trader's commodity* the trader may learn that there's no way they can achieve the \$1,000 goal.

An example follows:

- I'll use the emini S&P in this example.
- note that the S&P has a \$25 tic value (this is key).
- if a trader is trading an average of 3 units (contracts) and
- has an average of 9 winners, 7 losers, and 7 scratches,
- plus the average range of the commodity is 16 tics
- then, the trader is only making \$132 a day with a projected monthly earning of approx., \$2,780.

The spreadsheet, in this example, would show the trader that they need to make 10 more winning trades than losing trades to achieve their goal at that current unit size of 3 contracts per trade. I underlined that last sentence because it's the key to one of the biggest mistakes a trader makes; trying to achieve a goal they feel is obtainable when the mathematics says its not.

The following page shows a snap shot from the spreadsheet using the example above.

Enter Minimum tic value of commodity	Enter Average Daily Range	Enter Desired Amount of Daily Income	Projected Desired Monthly Income	Average Unit size you trade	Number of Daily Profitable Trades Needed Trading the following size (units)																			
\$25.00	16	\$1,000	\$21,000	2.79	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20
					40.0	20.0	13.3	10.0	8.0	6.7	5.7	5.0	4.4	4.0	3.6	3.3	3.1	2.9	2.7	2.5	2.4	2.2	2.1	2.0

Number of Profitable Trades
Trading (Unit) size

(See commissions explanation for call C4) (based on 21 days)

10 Day Moving Averages				
Winners	Losers	Scratches	Actual Daily Profits (losses)	
9.2	7.3	7.3	\$132	
Largest Winner	Largest Loser	Total # of Trades	Projected Monthly Earnings	
2.80	2.90	23.8	\$2,779	

Probabilities		
Winners	Losers	Scratches
39%	31%	31%

Look at the 'Average Unit Size' of the trader in column G. In this example the trader is averaging almost 3 lots per trade (2.79). The trader must make 10 more winning trades than losers to achieve his/her goal of \$750 a day.

But that isn't the case. The trade is only averaging 2 winners more than losers per day.

This trader is on pace to only make \$2,700 this month. Changes must be made by the trader to reach their goal of \$750 a day. Talk to your trading me, Dave, Earl, Gabe, or Tom to understand what those changes are. Or perhaps you already know what changes need to be made. Use this spreadsheet to show you the math behind the numbers.

The average daily range for the bonds, in this example, is 16 tics (cell D4). The odds of the trader making 10 more winning trades than losing trades while trading 3 lots in a 16 tic range is not going to happen. The traders historical trading shows that as fact. The trader must adjust either the dollar amount desired or increase size. This is the only mathematical way to solve the formula.

Using the example above, I'd tell the trader that they are trying to make \$1,000 a day yet the size they're trading is not going to get them to their goal, based on the mathematics of how they trade (winners, losers, scratches) and the average daily range of the eminis. It's impossible. The simplest solution would be to trade bigger size. If the average range changes (as it will over time) then you can adjust your size based on the data you keep within the spreadsheet.

What about spread trading? Many traders state that they simply can't keep track of their winners, losers, and scratches. Yet, the biggest violators of the rule stated above are spread traders. Many spread traders do not trade big enough size based on the small ranges within many of the types of spreads we trade.

Spread traders *can* keep track of their winners, losers, and scratches. I know it, and spread traders know it. It's a matter of putting in the time to do it after the trading day has ended. If you're a spread trader and are confused on how to keep track of your winners, losers, and scratches, let me know and I'll help you.

Conclusion:

A trader may be frustrated trying to achieve a daily monetary goal while the statistics state the trader will never get to the goal. If a trader simply tracks their *winners, losers, scratches, and the average daily trading range of the commodity they're trading*, they'll know what can be achieved and what can't.