



The Trading Plan

Phase 1:

Let's say you are a Piker that has a 5 thousand dollar futures account. How can a Piker turn his 5 grand in to 500 grand? And how long is it going to take?

The rule we are going to start with is: account balance divided by margin + stop loss = trading plan. So let's assume the following in getting started:

- We will trade the NQ E-mini only. Why? Because that instrument alone gives you the greatest amount of leverage for your piker 5 grand.
- Assume for now that intraday margin on NQ is \$1200 – on IB it varies and with other brokers one can actually negotiate the margin rate, but lets stay with \$1200 for now.
- Maximum stop loss allowed on any trade is 5 NQ points, or \$100.00 per contract.
- Assuming the opening balance of 5 grand, and margin + stop loss (1200 +100) we can initially trade 3 contracts. $3 \times 1300 = 3900.00$
- We have then \$300 maximum risk on any one trade.

The GOAL is for the Piker to grow his trading account geometrically. This is done by asymmetrical leverage. In other words as we build the Pikers account we will increase contract size. In order to increase contract size we need another \$1200 in profit for the additional margin.

But remember here, the goal is to grow the account geometrically. Since we are using here 3 contracts our rule becomes $3 \times 1200 = \$3600$ in profits before we begin phase 2.

And this is where we focus. The goal for now is to only make \$3600.00 in profits. How do we start? We start by dividing our goal in to manageable targets. The best way to solve any problem is to break the problem in to individual components.

So let's make this reasonable:

1. Let's take our goal of \$3600.00 and try to achieve this over 10 trading sessions. The goal for today becomes \$360.
2. NQ pays \$20 per point. What is the easiest way to make goal? We have 3 contracts so we are generating then \$60 per NQ point. Why not consider:
 - Taking profits on 3 points: $3 \times 60 = \$180.00$ – twice in one session.
 - Taking fast profits on 2 points: $2 \times 60 = \$120.00$ – three times in one session.

Either way we choose we hit goal and are done for the day after only two or at most three trades.

Not every trade will be a winner, not every day will be a winner. But the LESS you attempt new trades the LESS risk you expose yourself to. And we know also that we have a max risk on any trade of \$300.00

Ok, so 10 or maybe 12 sessions go by and assuming we have followed these simple rules we now are ready for phase two.

Phase 2:

We Pikers have now increased our account balances from 5 grand to \$8,600.00 in about two weeks. We did this by taking small, consistent, easy to get scores. We have built our accounts by accretion.

We now are moving up to 4 contracts. This increases our risk on any given trade to \$400.00. Seems low risk in light of the 3600 we just racked up. And using the same rules as above we no determine our next goal to be \$4800.00. That is the 1200.00 margin x the 4 contracts we are trading.

- Using a 10 day window again we say that our goal for today is \$480.00
- Trading 4 contracts we are now generating \$80 per NQ point.
- We need then only 6 NQ points in any given day to make goal
- 3 NQ points x 4 contracts = \$240 – twice in one session
- 2 NQ points x 4 contracts = \$160 – three times in one session

Either way you skin the cat it equals \$480.00. Your risk is minimal, and your commissions are less because you are trading far less. What you are actually doing now whether you realize it or not – is you are waiting for the trade to come to you.

10 sessions later, or a few days here or there to account for slippage and bad trades, we are ready for phase three.

Phase 3

Our piker accounts that began with a paltry \$5000.00 are now worth \$13,400.00 in about the first month. Can your broker do that?

The methodology should now be sinking in for you. We are now moving up to 5 contracts. 5 x 1200 margin = \$6000.00 for phase three. And during this phase any trade we take is going to cost us \$500.00 if we got cocky and screw up. So we are less eager to trade at this point. We are lying in wait like vultures waiting for fresh road kill.

- The goal per session now is \$600.00
- At 5 contracts we are generating \$100.00 per point
- 3 NQ points x 5 contracts = \$300 – twice in one session
- 2 NQ points x 5 contracts = \$200 – three times in one session

Two potatoes, three potatoes and the day is done. The skeptics, unbelievers, slanderers and cretins amongst us, are probably at this point now typing me an email accusing me of assuming every trade was a winner, etc... Those of you who are- stop reading this article right now. I've posted the max risk on every phase, and also stressed only taking a few trades in any given day. If you ignored that and still have the energy to send me your spam – just go back to what you were doing – which is probably ending each year with a net loss. Serious student's who want to convert a piker account in to a real account, read on! We are ready for phase four.

Phase 4:

Our account balance has now reached \$19,400.00 and this is beginning to be FUN. Our goal for this phase is 6 contracts x \$1200 = \$7200.00.

- Daily goal has gone from \$360 in phase one to \$720 for this phase.
- At 6 contracts we are generating \$120 per point
- 3 NQ points x 6 contracts = \$360 and twice a day this makes goal.
- 2 NQ points x 6 contracts = \$240 and three times in one day makes goal

By now you should be seeing what I meant by “geometric growth”.

Phase 5:

What was once a joker account of \$5000.00 has now reached \$26,600.00. And the stakes are getting higher now. Our goal for this phase is 7 x 1200.00 = \$8400.00. Our max risk on any entry is up to \$700.00 now, so we are becoming much more judicious on our entries.

- Daily goal has risen to \$840
- NQ is now paying us \$140 per point
- 3 NQ points x 7 contracts = \$420 and twice a day makes goal
- 2 NQ points x 7 contracts = \$280 and three times a day makes goal

Bada bing! Bada boom! Time for phase six.

Phase 6:

At this point we are not so much focused on the end game, as we are on the phase at hand. We aren't focused on being fabulously rich – what we are focused on is clearing out the goal of this phase, which is 8 x 1200 = \$9,600.00. Max risk per trade has risen to \$800.

Our account has grown from the original piker \$5000.00 to \$36,000.00. And we are only a few months in to this.

- Daily goal is now \$960
- NQ is paying \$160 per contract
- 3 NQ points x 8 contracts = \$480 and twice a day makes goal
- 2 NQ points x 8 contracts = \$ 320 and three times a day makes goal

We are growing now exponentially and continuing to be even more cautious about each entry, as we move in to phase seven.

Phase 7:

What was once a \$5000.00 piker account is now worth \$45,600.00 big ones. Go figure. And we are moving the bet up now to 9 contracts, which means we are risking \$900 on every entry. Our willingness to take knee-jerk entries has diminished, and Joe Piker the trader has become Piker Inc. How do our rules work out now?

The goal for phase seven is now \$10,800.00 and we are allowing a max loss per trade of \$900. How do we carve up the elephant?

- Daily goal becomes \$1,080.00
- NQ is paying now \$180 per point
- 3NQ points x 9 contracts = \$540 and twice a day that makes goal
- 2 NQ points x 9 contracts = \$360 and three times a day that makes goal
- Starting to get it yet?

Phase 8:

This is where the game becomes REAL. At this point the piker account starts making quantum leaps. The bet now is 10 contracts. That means using our rules we are looking at an initial risk of \$1000.00 per entry. We are definitely at the look before leaping stage. And the piker account is now worth \$56,400.00. Amazing...

- Because we have moved to 10 contracts the goal for this phase is \$12,000.00
- Daily goal then is \$1200.00
- NQ is now paying \$200 per point
- 3 NQ points x 10 contracts = \$600 and two winning trades in a day makes goal
- 2 NQ points x 10 contracts = \$400 and three winning trades in a day makes goal

At the end of phase eight our \$5000.00 piker account is now worth \$68,400.00. Good living! Time for phase nine.

Phase 9:

We have reached the stage now where this is a real business and we are playing for keeps. 11 contracts. The risk per trade now is \$1100.00. Goal for this phase is $11 \times 1200.00 = \$13,200.00$.

- Daily goal is now \$1,320.00
- NQ is paying \$220.00 per point
- 3 NQ points x 11 contracts = \$660 and two winning trades in a day makes goal.
- 2 NQ x 11 contracts = \$440 and three winning trades in a day makes goal.

Accomplishing phase nine brings our piker account to \$81,600.00

Phase 10:

We are up to a baker's dozen now and really waiting on good trades. Risk per trade is \$1200.00 a shot. Stupid entries are getting costly. Goal for phase is $12 \times 1200.00 = \$14,400.00$

- Daily goal for this phase is \$1,440.00
- NQ is now paying \$240.00 per point
- 3 NQ points x 12 contracts = \$720 and twice a day meets goal.
- 2 NQ points x 12 contracts = \$480 and three trades in one day makes goal.

It really isn't as hard as it seems is it. Account balance at the end of phase ten is \$92,000.00.

Phase 11:

When we complete this phase we will no longer be pikers. Our account of \$5000.00 will have grown to over six figures. The goal for this phase is $13 \times 1200.00 = \$15,600.00$. Maximum risk per trade is now up to \$1300 per trade.

- Daily goal is now up to \$1,560.00
- NQ is now paying \$260 per point
- 3 NQ points x 13 contracts = \$780 and 2 winning trades a day makes goal.
- 2 NQ points x 13 contracts = \$520 and 3 winning trades a day makes goal

When we have finished phase 11 the account balance has reached \$107,600.

Phase 12:

The account is now a six figure account and this is where things will really grow. We are beefing up to 14 contracts here which raises the risk to \$1400.00 per trade. Goal for this phase is \$16,800.00.

- Daily goal now \$1,680.00
- NQ now pays \$280 per point
- 3 NQ points x 14 contracts = \$840 and two winning trades makes goal.
- 2 NQ points x 14 contracts = \$560 and three winning trades makes goal

At the end of phase twelve we have an account worth \$124,400.00

Phase 13:

Time for 15 contracts. This is getting more fun with each step. Maximum risk per trade is now at \$1500.00 per contract. Goal for this phase is 15 x 1200.00 = \$18,000.00.

- Daily goal now up to \$1,800.00
- NQ now pays \$300 per point
- 3 NQ points x 15 contracts = \$900 and two winning trades a day makes goal.
- 2 NQ points x 15 contracts = \$600 and three winning trades a day makes goal.

As this phase comes to a close your account will have grown to \$142,400.00

Phase 14:

Moving up to 16 contracts, goal for this phase is 16 x 1200.00 = \$19,200.00. Maximum risk per trade is now \$1600.00

- Daily goal for this phase is \$1,920.00
- NQ now pays \$320 per point
- 3 NQ points x 16 contracts = \$960 and two winning trades a day makes goal.
- 2 NQ points x 16 contracts = \$640 and three winning trades a day makes goal.

Successful completion of this phase brings your account to \$161,600.00

Phase 15:

Seventeen contracts or bust. Goal for this phase is $17 \times 1200.00 = \$20,400.00$. Maximum risk per trade has grown to \$1700.00 per trade.

- Daily goal for this phase is \$2,040.00
- NQ now pays \$340 per point
- 3 NQ points x 17 contracts = \$1,020.00 and two winning trades a day makes goal.
- 2 NQ points x 17 contracts = \$680 and three winning trades per day makes goal.

Completion of phase fifteen brings your account balance to \$182,000.00.

Phase 16:

We are now increasing our original position size by a factor of 6, we are up to 18 contracts. That makes our risk per trade now \$1800.00. Goal for this phase is $18 \times 1200.00 = \$21,600.00$

- Daily goal has grown to \$2,160.00
- NQ is now paying \$360 per point
- 3 NQ points x 18 contracts = \$1,080.00 and two winning trades a day makes goal.
- 2 NQ points x 18 contracts = \$720 and three winning trades per day makes goal

Our accounts upon successful completion of phase 16 will have reached \$203,600.00. This from an initial base of \$5,000.00. That's a lousy increase of 4072%!

Phase 17:

By now we have reached a level of confidence and determination heretofore unknown to us. 19 contracts x 1200.00 and our goal for this phase has reached \$22,800.00. Maximum risk on each trade has grown to \$1900.

- Daily goal is now \$2,280.00
- NQ is now paying \$380 per point
- 3 NQ points x 19 contracts = \$1,180.00 and two winning trades in a day makes goal.
- 2 NQ points x 19 contracts = \$760.00 and three winning trades in a day makes goal.

Having completed phase seventeen our accounts will have grown to \$226,400.00. We began this project as five thousand dollar pikers and we are now about to become quarter million dollar non-pikers.

Phase 18:

Twenty contracts there, Tuff GUY! 20. Now we are talking some action. Our risk on every trade now is up to \$2,000.00 – so, we are being damn picky and choosy about our entries. Goal for this phase is $20 \times 1200 = \$24,000.00$

- Daily goal is \$2400.00
- NQ is now paying \$400 per point.
- 3 NQ points x 20 contracts = \$1200.00 and two winning trades in a day makes goal.
- 2 NQ points x 20 contracts = \$800.00 and three winning trades in a day makes goal.

The completion of phase eighteen will have brought the account to \$250,400.00

Phase 19:

Moving up to 21 contracts. As we are at the half way point now, to our initial quest. Each trade will carry a risk of \$2100 bucks. $21 \times \$1200 = \$25,200$ and this is our goal for this phase.

- Daily goal for this phase is \$2,520
- NQ is now paying \$420 per point.
- 3 NQ points x 21 contracts = \$1260.00 and two winning trades a day makes goal
- 2 NQ points x 21 contracts = \$840.00 and three winning trades makes goal.

Are we having fun yet King? Completion of this phase will bring our accounts to \$275,600.00.

Phase 20:

Life is getting good here and we are going after 22 contracts now. The risk per trade moves up to \$2200.00 and the our goal for this phase then is $22 \times 1200.00 = \$26,400.00$

- Daily goal for this phase will climb to \$2,640
- NQ is now paying \$440 per point
- 3 NQ points x 22 contracts = \$1,320 and two winning trades in a day makes goal
- 2 NQ points x 22 contracts = \$880 and three winning trades in a day makes goal.

Having completed phase twenty our accounts will have grown to \$302,000.00

Phase 21:

Onward and upward to 23 contracts. Risk per trade now grows to \$2300.00. Our goal for this phase becomes $23 \times 1200.00 = \$27,600.00$

- Daily goal now is \$2,760
- NQ now pays \$460 per point
- 3 NQ points x 23 contracts = \$1,380 and two winning trades a day makes goal.
- 2 NQ points x 23 contracts = \$920 and three winning trades in a day makes goal.

When phase 21 is completed our account balance will have reached \$329,600.00.

Phase 22:

We are now reaching a point where our main target is in sight. Your boat is not in yet but its rounding the cape and heading for the harbor. $24 \times 1200.00 = \$28,800.00$ goal for this phase. Risk per trade has increased to $\$2400.00$. Needless to say we are only taking trades that come to us. We are fat and green enough to be patient.

- Daily goal for this phase is $\$2,880$
- NQ is now paying $\$480$ per point
- $3 \text{ NQ points} \times 24 \text{ contracts} = \$1,440$ and two winning trades in a day makes goal.
- $2 \text{ NQ points} \times 24 \text{ contracts} = \960 and three winning trades in a day makes goal.

The completion of this phase of our trading plan brings the account balance to $\$358,400.00$.

Phase 23:

Just find me a winner damnit! We are up to 25 contracts now which will increase our risk to $\$2500.00$ per trade. Stupid entries are going to make us wince. Wild swings and we will need the puke bucket. The goal for this phase is going to be $25 \times 1200.00 = \$30,000.00$

- Daily goal is now $\$3,000$
- NQ is now paying us $\$500$ per point!
- $3 \text{ NQ points} \times 25 \text{ contracts} = \$1,500$ and two winning trades a day makes goal.
- $2 \text{ NQ points} \times 25 \text{ contracts} = \$1,000$ and three winning trades a day makes goal.

Our account balance has now reached the level of $\$388,400.00$.

Phase 24:

26 contracts on deck. The goal for this phase then is $26 \times 1200.00 = \$31,200.00$. Maximum risk per trade now has grown to $\$2600.00$

- Daily goal is now $\$3,120$
- NQ is now paying $\$520$ per point
- 3 NQ points \times 26 contracts = $\$1,560.00$ and two winning trades a day makes goal.
- 2 NQ points \times 26 contracts = $\$1,040$ and three winning trades a day makes goal.

Finishing up this phase will bring the account to $\$419,600.00$. We are almost there.

Phase 25:

Target is getting very close now. And as we move up to 27 contracts our risk per trade is $\$2700$. $27 \times 1200.00 = \$32,400.00$ which is our goal for this phase.

- Daily goal is now $\$3,240$
- NQ now pays $\$540$ per point
- 3 NQ points \times 27 contracts = $\$1,620$ and two winning trades a day make goal.
- 2 NQ points \times 27 contracts = $\$1,080$ and three winning trades a day makes goal.

Completion of this phase of our trading plan brings the account balances to $\$452,000$.

Phase 26:

Time for 28 contracts. The risk per trade then becomes $\$2800.00$. $28 \times 1200.00 = \$33,600.00$ which will be the goal for this phase of our plan.

- Daily goal is now $\$3,360$
- NQ is now paying us $\$560$ per point
- 3 NQ points \times 28 contracts = $\$1,680$ and two winning trades a day makes goal.
- 2 NQ points \times 28 contracts = $\$1,120$ and three winning trades a day makes goal.

Our accounts at the end of this phase now total $\$485,600.00$

Phase 27:

Our ships have come in. The last phase is at hand. And since we are feeling COCKY now let's make the last phase a nice round number of 30 contracts. $30 \times 1200.00 = \$36,000.00$ the final part of our goal. Maximum risk per trade is \$3,000.00.

- Daily goal is \$3,600
- NQ is now paying \$600 per point
- 3 NQ points x 30 contracts is \$1,800 and two winning trades a day makes goal.
- 2 NQ points x 30 contracts = \$1,200 and three winning trades a day makes goal.

Congratulations! Your five thousand dollar piker account is at **\$521,600.00** You can now go write your book "How I Made A Whole Bunch Of Money In NQ Futures" by Irving A. Piker.

Final Phase:

Tell your broker to wire you \$516,000.00 and put that money somewhere safe. You now are a \$5000 piker again and can start the whole process over.

Conclusions:

As you can see, this was not a get rich quick scheme. I have mapped out a very conservative low risk attack plan, that even if I could do each phase in 10 sessions – which I doubt I could – would take 27 phases of 10 days, so a bit over a year. But I made this pretty conservative. Only taking small gains 2 or 3 times a day and then stopping trading. More aggressive traders, can probably reach each phase of the plan in far under 10 days.

Where it is not a get rich quick plan, you could call it a get smart quick plan. There was no magic entry signals, no triple lindy, no Finnegan pins, zorch covers etc... It is a method about managing the equity curve which is the one part of having a trading method that most traders never even look at.

We started with a risk per tradeoff \$300, and at its maximum becomes \$3,000. As you can see the rate of risk stayed constant, \$100 per level.

What is the likelihood of pulling the plan off? Well, think about it. Do some back testing. NQ on average will swing 15 points at least, each day between the extreme low and the extreme high. In this plan we are only trying to catch 6 points of it. And we are not even trying to catch the 6 points all at once. We are taking 2 scalps or three scalps and calling it a day.

The quantum leap in balances come not from the trading method, it comes from the “managing the equity curve method”.

So this is my trading plan for 2003. I know of traders using this method that are a lot more aggressive than the manner that I have laid out. In those instances the plan can be completed in a matter of months as opposed to a year.

Study this plan as I have laid it out. Most traders will scoff at it because it's too damn simple. I have adjusted my own account to start again exactly fresh from Phase One.

I will be offering a six week hands on traders boot camp, probably later in April or at latest in May on using this method with all of the trading signals we have written about in the Trend Times Magazine archive.

If you are interested in the mentoring program send me an email at support@kingcambo.com and I will send you the details when I decide on them.

I suggest you print this article out and memorize it. And get your own piker plan together and then implement it.

Happy Trading!
KingCAMBO



