



The basic principle

First a simple question: How many points do you think you could take out of the market every day of the week? When I ask people this question they tend to say 10, 20 or perhaps even more. Well it's nice to dream but why not settle for just 5 points a day from binary bets? Does that seem unreasonable?

When I introduced this concept back in 1992, the FTSE futures traded at £25 per point and you needed a margin of £2,500. But today you can start Spreadbetting with as little as £100. What's more, the margin requirement on a binary bet is the maximum you can lose – maybe as little as £20 on certain bets.

So back in 1992 you needed to start with £2,500 if you wanted to rule the world, now it is possible with just £100!

All the excitement you want

The point is that if you can just make 5 points every day you will be a millionaire 15 months from now. Here's how: Let's assume there are 20 trading days in a month. You make 5 points each day clear of the spread. You open your account with only £100 and bet just £1 per point. Each month you bring in 100 points – that is £100 in month 1.

At the end of the first month you have doubled your money – that may not seem very exciting but wait, you will get all the excitement you want before long. You started with £100, you trade at £1 per point, you end up with £200, so you have doubled your stake. Now for the second month you trade £2 per point. Again you go for just 5 points a day, on average.

Each month you double your money. At the end of six months you have £3,200, at the end of a year you have £204,800; and you are trading over £2,000 per point – enough excitement for you? Two months later and you have over £800,000 and easily top £1m a week or so later.

So what's to stop you? Here is a list:

- **Consistency** - this is your biggest stumbling block.
- **Losses** - which are going to set you back.
- **Complacency** - having attained wealth you will lose your hunger and the risks will no longer seem worthwhile.
- **Market limitations** – Finspreads have a limit of £150 per bet but you are allowed more than one bet at that limit. Plus there are other Spreadbetting companies.

However if you aim for just 5 points a day you can use very tight stops, so this should be practical from a Money Management point of view – although the spread is not helpful in this respect. The same goes for Risk Control - and you will need a lot of discipline.

To put this in \$ terms, the day trading margin on the S&P e-mini at the time we went to press was \$500. One full point on the S&P is worth \$50 and so you would need 10 points a month or just half a point a day to make this work.



Now let's get real

The idea of doubling your money every month is a nice fairy tale - and it almost makes sense, but we have skipped over the flaws. However there is a lot of real sense in this fairy tale, so now let's adapt it for the real world.

Firstly let's consider Money Management (MM) and in particular how this is going to affect the majority of readers. The idea of looking for very small, short term profits (i.e. half a point on the S&P, 5 points on FTSE) does work, and you would need to apply correspondingly close stops. In all trading you must either look for bigger profits than the losses you are prepared to accept or you need to use an approach which offers a high percentage of winning trades – over 70%. There are certain strategies using binary bets which have potential to offer that sort of percentage.

For this sort of trading you would need to watch the markets very closely. You may decide you would rather trade in a more relaxed style, which is also fine.

My first book, *The Way to Trade*, was sub-titled "*discover your successful trading personality*" and this is a very important part of the game – you will find it far easier if you trade in a style that suits you. But to do this you may need to increase your starting capital.

Useful dos and don'ts

So what about losses? Clearly these are going to set you back - but, as long as your MM (Money Management) is effective, only in the way of time. As long as your trading methodology is effective and you do make progress then this process will work for you. It might be useful to put forward a few Dos and Don'ts, so here goes:

- Don't bump up your initial trading size in relation to your cash. There is no point - if this works you will soon be trading more than enough contracts.
- Don't rush increasing position size. You have to be prudent - that is the key to handling all risk. It is when risk is allowed to run out of hand that it becomes dangerous.
- If you find that the size you are trading is making you nervous, do drop down a little to your comfort zone. Nervous money never wins!

Here are a couple of other points:

- Firstly you can increase position size other than by doubling each time. So you could adopt an approach based on a percentage of your trading capital – in fact this may help with nervousness as you would be gradually increasing as you win – and gradually decreasing as losses come in.
- Secondly the market does provide a number of opportunities for taking small quick profits. In particular, support or resistance points usually produce at least a tradeable reaction, especially if the market is oversold or overbought at that point.

In life there is one great truth: a man with a plan has a march on the no-plan man. So think about how this process could be applied to your trading, and become a man - or woman - with a plan.