

ROBERT ROY'S TRADING PLAN AND GOALS

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INTRODUCTION

Recommended book on Trading Psychology – How to be a Successful Trader - Ned Gandevani.

So guys, I pulled out my Play Book and the front page is a topical view of a football field with Xs and Os on it and I've got it labeled as Day Trading Play Book / Top Secret / This Confidential Document is not for Distribution. So, I'm just going to go through some of the pages and I'll talk a bit about some of the pages that are in there – what they mean, what I do with it and so forth.

PRE-MARKET HOMEWORK

Basically, this is what I do in the morning for my homework and before the market opens. Now you could do it at night,

you could do it in the morning, I don't care when it is. I used to do all of this at night because my kids would be up at wee hours of the morning, you know. And then you couldn't really get anything ready and start looking for the market, and I wasn't going to have my wife do it all, so I did it at night after my kids went to bed. Now my kids sleep really late when they are not at work or school. So, I'm not worried about mornings and if they do get up, they can make their own breakfast; they don't need help doing it. So, what are you doing in the pre-market? How are you preparing? What stocks are you looking at? What lists are you looking at? What news are you looking for? All of that should happen in pre-market and I don't mean at 5 minutes before market opens. You've got to give yourself enough time for this to work. It should not be something that is so fast that you can do this in 30 seconds. It takes a little bit of work.

TRADES / TRADE SETUPS

I've got multiple trades outlined very specifically: - Gap play – how to trade the gap; I have my gap statistics in the book on what I look for in the various positions that I trade. - My "h" pattern – I've got pictures of my "h" in there; what to look for; how much to scale out of the trade; all of that.

TRADING PLAN

My trading plan does have versions (ex: 6.07 with the date)

VISION

I created a vision for myself that I wrote here along with my trading mantra and I'm going to read you the vision – no different than what you would have in a business except my vision is very much geared toward my personal belief system. So, I don't read it to pressure anybody or to influence any of you, but just so you understand where it is that I am coming from. What my vision says: "My vision is to create a proper balance between God, my family and my businesses. I will continue to allow God to lead me in his plan for me. I will never stop trying to improve myself and striving for perfection. I will use my trading to continue to support my family with a comfortable lifestyle and help our church reach the vision of our patriarch." That's mine. You do what is best for you. The reason I read it to you is that my vision is not a vision for trading, it is a vision for my life. Trading is a part of it, not all of it, but it is part of it. So, my vision was created not when I first started, but much later down the road as a vision that was tying together my spirituality, my family and my businesses – tying it all together – in that order.

TRADING MANTRA

My trading mantra which, if you guys want to write one, I geared it off of the Alcoholics Anonymous. I wrote mine off of AA. And if you are asking why, I chose that because that's what my mentor told me that to use. When I first wrote mine, I based it off what my mentor did. This is how he told me to do it, was to go to the AA website. I think I got it from their website and to write a mantra based on it.

1. I admit that I am powerless over the market. The market is unmanageable by me. As a trader, I am not in the game, I am on the sidelines.

2. I realize I can do great harm to my family's finances in the market.

And so on ... I took what was out there for AA and I used their twelve-step program. I didn't get all twelve, I actually wound up with eight, but I used that as a guide. I am a little leery to read my vision because so much of it is Faith based, but that's where my life is. To me, making money is a very important part of life. Right? Having the financial stability to do what I want, but it's not the most important part of life. For me, it is my faith, my family and then my finances. Right? So, my vision for my life is in there. I took the twelve steps and then wrote a mantra and I did this as a brand-new trader, guys. It starts off with I am going to know a new freedom and a new happiness in my trading. I will not regret the past nor wish to shut the door on it. No matter how bad my trades have been, I will use my experience to benefit others and myself. The feeling of helplessness and self-pity while in a trade will disappear. My whole attitude and outlook about trading will change. Fear of losing and of economic insecurity has left me. I will inevitably handle situations that used to

baffle me. I now realize that God is doing for me what I could not do for myself.

PROMISE AND SPIRITUAL EXPERIENCE

Then I put my promise and my spiritual experience of what I was doing in my Trading Plan. Then, I start getting into our patriarch and wrote that in there.

DAILY SCHEDULE

Then I put a daily schedule together: what time I was getting up. An older one: get the kids up of to school, my workout, my breakfast, my shower – all of that was in there. What time I was doing everything, where my trading was – right down to the end of the day after the market closed was my daily reviews and my controls. What are you doing every day? What does your life look like as far as trading goes? Where do you fit it in? Where do you fit your trading into your life? How much time or what times do you have available to you? Most of us have a problem and the problem has been multiplied over the last decade; it is the ringing phone syndrome! It is 9:29 [AM ET] and your phone rings. "Oh, man, I have to pick my phone up." The Heck You Do! Just because it is ringing, I didn't ask you to call! Just because it is ringing, doesn't mean I gotta pick it up. You may, like me, want to pick it up, but I've got to focus on trading. My wife doesn't come in to bother me; my children will rarely come in and ask me for something when I am trading. They kind of leave me be.

OFFICE SETUP AND EQUIPMENT

This is a very important one to me. What am I doing as far as my structure? my environment? Now, if you think of a business plan, you don't normally buy everything the day you start your business, you plan for it. There might be certain software you want to buy. You may say "Rob, I would love to get my hands on an indicator set" and you don't have the money for it today. Well, you want to plan for that, right? So, office setup and equipment that you have in there. My office at one-point guys, before we did the construction of my home, was in my basement. My best friend was the oil tank, the 255-gallon tank where they put oil. And, I had to leave my office for a couple of hours every couple of months when they filled it up. Without warning you they were filling it up and they just did it. My office was set up, and is set up, very much for trading. Six monitors on my main computer, a laptop with another monitor attached and then two non-trading monitors on a non-trading system on my desk. I could have as many as ten monitors going at any given time. And I wrote this one "We are undergoing construction on the house and part of the plan is to create a new office on the first floor for my new trading room. The goal is to have the project complete by 2008 with plenty of space for the existing monitors and six new ones. The theme of the office would be "down by the sea." – which is exactly what it is. I convert the office into a fishing/beach haven. Why was that important in my plan guys? Because it's got to be comfortable. My clock is a great scenic view. I've got one of these signs on the walls that says "Boats" and an arrow. I have a porthole which is a picture frame on the wall of a cruise we had gone on – "Beach this way". The ceiling is painted a custom blend to look like the sky; the tile on the floor sand color. This is what I wanted it to be, the comfort that I was looking for. Mindset.

CAPITAL PLANS

What capital expenditures? When I talked about software, I had dates for not just software, but capital improvements that I wanted to do: a new computer system. Actually, I had down in my plan a server. I wanted to put my own server in for backups and things like that and have a server run through the house for everything that we did; take us offline basically of people being able to get in and set up an Intranet instead of an Internet. But anyway, I never did it. More computers, software that I was looking for at the time that I was interested. I wound up never getting the server because I found out it to not be as good as I thought it was. But, planning out the capital expenditures. What is your date for it? How do you plan on saving those monies for that and so forth? It is all part of the capital expenditures. What is it you are looking to purchase? Right? So, I originally had down for a capital expenditure in '98 (because I started in '97) for

a server and I had down \$5,000 because that was probably what the darn thing would go for then. Now you just buy a laptop with a couple of terabytes and you are probably fine ... and its \$229 or something at Best Buy. Different software programs I wanted and put into my plan what I needed.

FINANCIAL PLANS

What accounts do you have to trade? How much is in them? And then the markets I will trade. Some of you are not doing equities anymore ; you are only trading futures at that point.

MARKETS

What markets are you going to trade, right? Guys I have written down here: YM, ES, NQ and ER (again this is from 2008. ER is the Russell – RTY today). AGGs - that was agricultural, so I did some softs and things like that. These are all futures accounts. Are you trading AAPL? Orange ... oh, wait -- No! [laughter] I'm teasing. ... Are you trading AAPL? Are you trading BIDU? BKNG? What markets are you trading? In Equities and Options, I did this in mine and my wife's joint accounts, our IRAs, our 401ks. I won't read you the note I wrote about mutual funds. [laughter] Why do I want to trade these markets? The eMinis are for day trades; the equities are for swing trades and position trades.

TRADING TOOLS

What are the trading tools I am going to use? I've got Trade Navigator down there. I have TradeStation there – I told you guys I have had it forever. The brokers that I have used. Now, that has all changed today from where it was, but guys like TradePro Futures – I still talk to Trey almost every week. That guy is awesome. So that's a trading tool – a resource that I have available to me. Part of this goes back to your financial plan as well. Right? Because you are going to have costs and a budget which we are going to get to in a few moments.

EDUCATIONAL GOALS

What are my educational goals? So, I put down that I had an explanation into it, but reading books, magazines, audios and videos, webinars, live events. Now 2008 – I'm already teaching for a trading educational company for four years. I had down there that I was going to attend three live, on-location seminars a year to continue my education – advanced type stuff. So, Ryan might teach something, or whomever and not only the company where I worked (I went outside of that), but I learned advanced techniques from other coaches, other instructors as well. I was attending four webinars a week on weeks that I wasn't travelling. So, guys, when I first got started, my educational plan was to go to one seminar every three months. And six months after I started, I was at one seminar per month. Some of you probably have hit those numbers over-and-over again. Students have shown up at multiple events over-and-over-and-over-and-over again. I have seen them two or three times in a month at events before in the past. Right? So, what are your educational goals?

MY DAY

Guys, I'll give you an example of my day. My day starts off on my treadmill for 45 minutes. And, that 45 minutes is me listening to an audio book while I am on the treadmill. Then, I get off the treadmill and do something called a Tabata. Look it up – it is a great exercise routine type program, and then from there I get into my sauna. In the sauna, I take a tablet in there or my laptop and I am going through another audio book or something while I am in there. Or, I am reading something. I also read for about an hour at night. "Readers are leaders" (it was an Amway thing). Just spending the time guys, whatever it takes, whatever you can. Jeff says, "you have all this stuff written down, but how often do you review it?" So, it's a business plan, Jeff. It's more about the creation of it than the review of it. The one I have online, I redo twice a year. I have a revision mid-year and another one come the beginning of the year. As far as reviewing it with the trade setups that are in here, I go through it regularly. I have monthly things that I will look at such as: my budget, what did I spend, which is the next thing on my list, by the way is Budget. What did I spend compared to what I

wanted to spend or expected to? Rick said, "If it isn't written down, it doesn't exist." It makes it hard sometimes if you don't write it, but I see where Jeff is coming from; you wrote it, but how often do you go back and look at it? It is not something I deal with on a day-to-day basis, but I deal with components of it on a regular basis though. One act of budget is one that I would deal with daily, that component of it.

BUDGET

This is a big one! It may not seem like much. I pay you know \$30-\$40 a month for my data for my Trade Navigator or if I don't do enough trades with my broker, I've got to pay a data fee. I've got to pay exchange fees -- you know \$20 for the Minis and so forth. All great-and-fine-and-good, but you need to allot for that. Because, here is the thing: bottom line is ultimately you need to make money in this business. And, the way to make money in this business is to know your costs and to know what your sales are, what your profits are -- even though they are gross profits. What I mean by that is your account had \$10,000 in it, now it has \$11,000 at the end of the month. You grossed \$1000, but if you spent \$1200 on running your business, your account may have grown, but you spent it somewhere. Right? Usually on a credit card or something like that. So, what is your budget look like? And guys, if any of you have done a financial plan before where you have created a budget, Business Plan Pro is the one that I have. If you have never written a business plan before, it's a good software program. There may be others out there, I don't know; I've not used them. When I first got started with business plans, you wrote them by hand. There were no computers to do them with. Right? But Business Plan Pro is the software that I have. My version -- I'll give you an example of how old my original version is: it is 02 -- that's what my box says. But, laying out that budget is part of your business plan. Right? And realistically, what I am giving you here is just that, a business plan. What was I spending on Internet? What was I spending on my software? What was I spending on office supplies, a phone (because I have always had a dedicated phone in my office), miscellaneous, education -- whatever? What was my monthly expense? Well, now I know that my monthly expense is \$1000, \$200 -- whatever the numbers are, I know that I, at least, need to cover that. And, for me to be able to survive, I've got to at least make enough money to pay for my expenses each and every month.

GRADING YOUR TRADE

This is a good one! So then, this one here is called Grading Your Trade. For every trade that I make, I want a score, or a grade and it is based on my initial exit rules. So, if I gave myself a "5", it said "Your target is hit." Let me say it this way: If my target was hit, I got a "5". If you exit the trade at a different price than the target, but you're still profitable, it was a "4". If you exit the trade for a break-even, it was a "3". If you exit at price different than your stop, but it is still a losing trade, it was a "2". If your stop is hit and you exit the trade, it was a "1". If you pull your stop and exit worse than your stop, the score was a "0". I would add up the daily score for all trades today, divide that by the number of trades that you did, to get your average. "It's like getting a GPA for my trading" is what I wrote. I will do the same thing on the trade type. For example, the gap trade, a pivot point trade will also be tracked separately to determine how I am doing on the individual trades. So, when I keep my notes on my trades, it is also trade type [that] would go in there. And that trade type was things just like that: a gap, a pivot, a power hour, whatever that was. It's a book that I have on a plan that I wrote in 2008; this is my '08 plan. But, every one of these things are part of my new plan. It's just all things that are written on the computer. The plan itself is not something that I would be willing to share with on paper, certainly not what I am doing right now. That's kind of why I am going and reading some of these things off to you. So, you basically could generate a GPA for your trade. Right? So that is the grading your trade component which was a very big part when I first got started.

VULNERABILITY

Here's a fun one ... vulnerability. What are your weaknesses? Where are you vulnerable? So, as an example here I have written "Don't trade the eMini's between 12 [PM ET] and 2 [PM ET] expect for managing trades or scalping." Between 9:30 AM [ET] and 11:30 AM [ET], I do not allow any distractions. Guys, that's it; Phone can ring; it doesn't mean you have to pick it up. Someone's knocking on the door ... doorbell? Nope. Not answering the door. I'm here to trade. No

distractions. Trade! Guys, I put things in here like "After a 10% day, walk away!" "Stop trading. Don't over-trade." "Don't get the Superman complex." And, I am reading out of my book right here. "Take the week of Thanksgiving off." "Take the last two weeks of the year off." "Take a minimum of four weeks off during the summer months." In the summer, I tend to do very long weekends ... 3, 4, 5-day weekends for myself. "Don't trade on emotions." "Never change my trade parameters once I have entered a trade." All of this key stuff, very important to me in my trades, because I can easily veer from my plan. It's no different than being on a diet. You know you're not supposed to eat chocolate and all of a sudden you're just starving hungry and there is a piece of chocolate there, and you just shove it in your mouth and say "I can't believe I just did that."

You've got to have all the vulnerability written down and what are you going to do.

BUSINESS CONTROLS

To continue to grow and improve as a trader, I must continually review my trades. Structure is the key to success and continued growth.

DAILY CONTROLS

my daily controls are in the plan which were things like "grading my trades."

WEEKLY CONTROLS

Over the weekend, I go back and review the trades I did for the week. Validate the results on a per day and a per week basis as well as a trade type.

MONTHLY CONTROLS

At the end of the month, I review the entire calendar month's trading; look for the same things I did on the dailies and the weeklies, but I'm looking for patterns happening here. Are there certain days where you are more profitable as well as particular types of trades that you're profitable? "Need the seminar on an MP4." Ha, ha, ha ... It may show up on one yet right, Rick. You never know.

TRADE SETUPS

These are some of the various trade setups and whatever your setups are, you going to want to have them down here and have the details of each of the trades listed in there. You're going to want every bit of the trade detail in that. Then I get back into some of the trade setups.

GAP TRADES

My gap trades: I have an old gap trade and a new gap trade in there. I keep my gap statistics in there. Now guys these are some older ones, right? But this is gap cautions. GAP CAUTIONS - EXPIRATION FRIDAY ON OEX The OEX on Friday drops 2% -- it happens between 76% and 78% of the time. On OEX Friday, when it is an expiration date, 76% to 78% of the time you have a 2% drop on a gap.

ROLLOVER THURSDAY

FRIDAY AFTER ROLLOVER

FIRST SESSION OF THE MONTH

LAST SESSION OF THE MONTH

HALF-GAP FILLS LARGE GAPS ... all of these type of statistics that I kept track of – and still do keep track of a lot of, but I have others doing the work for me now.

TRADING GOALS

DAILY TRADE SETUPS

PREPARING MY DAY FOR MY EMINIS TRADING

AFTERWORD

Guys ... in a nutshell, that's what is in that book. Guys, I know a lot about that stuff and when some of my mentors talk about it, it doesn't matter, I feel like I am a child and I know nothing. And they tell you the things they are doing. But, it's funny – because I'll call them a mentor to me; they'll say the same thing about me being a mentor to them. Great guidebook to help generate your own playbook. And again, mine was called "The Day Trading Playbook / Top Secret / This confidential document is not for distribution" is what my very first page says. And then, just put as much detail in as you can. For right now, if you took everything that Rick duplicated there and you just reworded it in your own words, I would be ELATED FOR YOU that you had that much down on paper. But ultimately, you want it to be yours and a good working document -- one that you can use.