Some Level-Headed Advice About Trading From Your “Favorite Uncle”

By Jim Prince

Do you remember when you were young, and getting ready to set off on your own? Maybe your parents or a favorite relative sat down with you and gave you some advice about what to expect and how you should handle it. And if they didn’t, maybe later on you wished someone had. Well, pretend I’m your favorite uncle who has some good advice to give you before you set off on your own in this adventure known as commodity futures and option trading.

No one wants you to succeed at trading more than my team of Greatest Business on Earth Course Counselors and I do. And I know that if you follow the principles we teach you, and use your newfound (uncommon) common sense, success is within your grasp. But I also know that it’s possible to lose a lot of money in commodities. Right now you’re probably very enthusiastic about trading (rightly so!), and eager to get started — and that’s when you’re more likely to make the kind of mistakes that cause people to lose money. So take these words to heart:

First, don’t consider trading with real money until you’ve paper traded long enough to feel confident with what you’re doing. I’ll never forget this story that one of the Course Counselors here told us at one of our meetings. He received a call from a Course Member who complained that he lost money trading. The Counselor asked him if he had paper traded. “I sure did,” said the Course Member proudly. “I paper traded for six months.”

“And how did you do?” asked the Counselor.

“I lost money paper trading, too!” replied the Course Member.

Can you see the problem here? This was a man who placed trades with real money before he understood the principles well enough to paper trade successfully. No wonder he lost money! But you can learn from his experience and avoid making the same mistake. This is the one business in the world that allows you to practice first until you get it right. So do it!

Second, paper trading gives you real experience in how every market bounces around. You’ll soon realize that even a market that’s in a strong uptrend or downtrend doesn’t move in a straight line! But you’ll also learn that if you stick to your plan, markets eventually turn in your favor. The key to success in commodity trading is being patient and protecting your capital. So what should you do if you want to trade five markets, but your account only has $3,000 in it? Choose one market and trade it alone, trading only as many contracts or options as you can comfortably afford to risk. Meanwhile, continue to paper trade the rest using futures and
options. You should never stop paper trading. (I still paper trade!) It’s the best way to learn. Just take it slowly, and small setbacks will remain just that — small setbacks.

Third, don’t get carried away by your eagerness to trade. Once you open your margin account, you may feel pressured to trade it. Keep a cool head, remember your trading principles, and GO SLOWLY!

Fourth, one successful trade does not make you a market expert. Believe me, I know how thrilling it is to receive that first profit statement. But don’t let it go to your head! Don’t think you can now throw caution to the winds and do whatever you like. No one is invincible. I myself lost all the money I had made on my first big trade, and had to start from scratch, so I know what I’m talking about! Even after you begin making money, you still must go slowly, stay within your means, and always apply your trading principles. Tend to your commodity business carefully, allowing it to grow in its own time, and you can reap the rewards for many years to come.

Above all, have fun. This is an exciting time for you. Commodity futures and option trading can be your doorway to financial freedom. Don’t do anything to make it slam shut. All of us here want you to walk through that door and find all the riches waiting for you on the other side.