



Brainy's Articles on Share Trading

Trading Journal & Diary (& templates)

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Introduction

When trading shares, or CFDs, or Options, or whatever, it is very important to record relevant and appropriate details of the trades, especially if you are still developing your trading strategy and using a back testing or paper trading method. There are a few good reasons for doing this (outlined below).

This article in Brainy's series on Share Trading (number ST-5210, renumbered from ST-4800 June 2012) provides more details about some of the ways that you can record the details of your trades. It also includes a *trading journal template*, and a *trading diary template*. You can print out the template pages, and fill in the information as appropriate. Soft copies (ie. electronic versions) of these are also available so that you can use them on the computer, and enter and maintain the details on-screen.

Trading Journal — description and purpose

A Trading Journal is a simple table that can be used to record the relevant details of each trade. For recording the buy and sell transactions for **shares**, the trading journal might look like the sample in Figure 1 below. You could also have additional columns for analysis, or to record Comments.

Ref No.	Date	Code	Company	TRANSACTION (Buy/Sell) Details			
				[B]uy [S]ell	Qty	Price \$.c each	Gross Value \$.c
			or Other Item (eg. interest charge)				

Figure 1: Simple trading journal for share transactions.

For recording the buy and sell transactions for **CFDs**, the trading journal might look like the sample in Figure 2 below. You could also have additional columns for analysis, or to record Comments.

Ref No.	Date	CFD Description	Transaction			Details				
			[L]ong [S]hort	No. of Contracts	Price/ point \$.c	Entry Price	Exit Price	Change (points)	Gross Profit/ Loss	Equity

Figure 2: Simple trading journal for CFD (index) transactions.

Why record the details of transactions? Well, there are at least a couple of good reasons:

- **Taxation** — If you are trading seriously, and you want to eventually handle large sums of money, you need to account for all the details for taxation purposes.
- **Costs** — The costs involved in buying and selling shares, CFDs, or whatever can take you by surprise. It is surprising to step back and take a look at all the costs along the way, and notice where the money has gone. Costs like brokerage, margin loan costs, interest costs, commission, etc. Not all these apply in all cases; but it is very useful to track them so that you can see what proportion of your trade size is being gobbled up in fees. Let's say you take a \$500 position in shares in a company, and the costs to get into the trade and out add up to \$50, that's 10% of the total position. For this trade to be profitable, you need the shares to increase in price by 10% to \$550 before you break even. If you hope to make at least 5% profit on your trades, then the position needs to improve by a total of 15% before you reach your intended target.
- **Cost management** — If you know exactly what costs are involved, you might be able to manage the affairs to minimise the costs, and end up with a greater profit.
- **Progress review** — It is a good idea to progressively and periodically review your progress. That is, the number of wins versus losses, and the costs as a proportion of turn over, etc., etc. The only way to be able to do this is with a decent method for recording the transactions as you go.
- **Strategy review** — If you are recording relevant comments in a Comments column, it will help you to look for any weaknesses in the strategy, and make progress with improvements. Especially if you are paper trading and still fine tuning your strategy.

On the topic of recording Comments, if you are still fine tuning your trading strategy, then the Comment column, and also a Trading Diary, will be most useful. More details on this below.



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