

Guide #5: Prop Firm Challenge & Evaluation Success Guide

AI Trading Futures

www.aitradingfutures.com

Jim Daniels, Human Button Pusher (HBP)

PROP FIRM CHALLENGE & EVALUATION SUCCESS GUIDE

Purpose

For traders aiming to pass prop firm evaluations and secure funded accounts by playing to the rules, maximizing win probability, and avoiding the common mistakes that trip up most candidates. Built for serious beginners and experienced traders seeking external capital or structured pressure.

Core Idea

Passing a prop firm challenge is not about “home run” trades. It’s about:

- Surviving.
- Following rules.
- Executing a proven plan with discipline.

Prop firms generally reward consistency and risk control far more than flashy PnL swings.

Know Your Firm’s Rules

Before placing a single trade, know the exact details of your chosen prop firm:

Typical Parameters

- Profit target (for example, \$3,000 on a \$50,000 account).
- Daily loss limit (how much you can lose in one day).
- Overall drawdown (max trailing or static drawdown).
- Allowed products (NQ, ES, CL, GC, etc.).
- News trading restrictions.
- Minimum/maximum trading days.

Action Step

- Write all these rules out on a physical sheet or note visible at your desk.
- Have AI summarize them into a simple checklist:
 - “If I lose X today, I must stop.”

- "I need Y trading days minimum, no rush."

Prop Firm Mindset

Key Shifts

- This is not your personal account:
 - Your job is to demonstrate risk management and process.
- Aim for "boring consistency," not excitement.
- Trade smaller size than you think you need; treat it as a test of discipline.

New Rules for You

- Never violate a rule to hit the profit target faster.
- Respect daily loss limits like a brick wall.
- Use half-size positions until you can show a multi-week track record.

Baseline Evaluation Protocol

Step 1: Platform Setup

- Choose a firm and connect via their preferred platform (often NinjaTrader/Tradovate).
- Confirm:
 - Correct account is selected (evaluation vs live).
 - Data feed is live for your products.
- Set up charts with your core setups only:
 - EMA trend, VWAP, ORB, and flag/continuation patterns.

Step 2: Risk Settings

- Determine your per-trade risk:
 - Example: If daily loss limit is \$1,000, risk \$100–\$200 per trade.
- Set a soft "stop trading for the day" loss limit at or below firm's max daily loss.
- Configure:
 - ATM strategies with predefined stops and targets.
 - Max contracts you will allow yourself to use (often much less than platform max).

Step 3: Setup Selection

- Use only setups you have tested:
 - Universal setups from your playbook.
 - Avoid experimental trades during an evaluation.
- Focus on your best times of day:
 - Example: First 2–3 hours after open.

- Avoid low-volume midday chop unless you excel there.

Step 4: Daily Routine

Pre-Market

- Check economic calendar:
 - Identify major news events (FOMC, CPI, NFP, etc.).
- Decide whether to:
 - Stand aside during news, or
 - Trade smaller and only with strict rules.
- Mark key levels (overnight high/low, prior day high/low, key support/resistance).

During Session

- Take only A+ setups.
- Track trades in a simple log as you go:
 - Instrument, direction, size.
 - Reason (setup name).
 - Result (win/loss in R or dollars).

Post-Session

- Export or screenshot trade history.
- Tag:
 - Rule-following trades.
 - Rule-breaking trades.
- Ask AI coach to:
 - Identify patterns in wins and losses.
 - Spot emotional decisions.
 - Suggest specific improvements.

Step 5: Hitting the Target

- Once you are close to the profit target:
 - Reduce size even further.
 - Focus on protecting the existing profit.
- You don't need to "keep pushing" after goal is met:
 - Shift focus from PnL to consistency and rule adherence.
- Many traders fail by giving back gains after reaching the target—don't be one of them.

Common Pitfalls (and How to Avoid Them)

Pitfall 1: Overtrading

- Symptom:
 - Too many trades per day, especially after a loss.
- Fix:
 - Set a max number of trades per session.
 - After you hit the max, stop—even if you feel “in the zone.”

Pitfall 2: Revenge Trading

- Symptom:
 - Increasing size or forcing trades to win back losses.
- Fix:
 - Hard rule: After a certain drawdown in a day, you close the platform.
 - Note emotion in your log and review it later with AI.

Pitfall 3: Ignoring News

- Symptom:
 - Trading full size during major announcements and getting blown out.
- Fix:
 - Create a simple news rule:
 - “Flat 5–15 minutes before and after major events,” unless you have a tested plan.

Pitfall 4: Strategy Hopping

- Symptom:
 - Abandoning your core setups after a few losses.
- Fix:
 - Commit to a small, defined set of setups for the entire evaluation.
 - Review results weekly, not trade by trade.

Evaluation Journal Template

For Each Trade

- Date and time
- Instrument (NQ, ES, CL, GC)
- Direction (long/short)
- Setup name (EMA trend, VWAP, ORB, Flag, etc.)
- Entry price and stop loss
- Target(s)
- Result (R multiple or dollars)
- Did I follow my rules? (Y/N)
- Emotional state (calm, anxious, FOMO, revenge, etc.)

Daily Summary

- Starting balance and end balance.
- Total number of trades.
- Net profit/loss.
- Rule breaks (if any).
- One thing done well.
- One thing to improve.

Weekly Review

- What setups are performing best?
- What time of day works best for me?
- Are there repeated emotional triggers?
- Is my sizing consistent with my plan?

After Passing the Challenge

- Slow down:
 - Do not immediately increase risk or size.
- Continue journaling and reviewing.
- Treat funded account like it is more fragile than your own:
 - Respect daily and overall drawdown deeply.
- Withdraw profits according to firm rules, but