



Day Trade Warrior

Chapter 1. Introduction to
Trading

How does Day Trading Work?

- The Simple concept is that we want to buy stocks that are going to move up.
- In other words, as Day Traders, we profit from volatility. Markets that aren't moving won't give us profits.
- When stocks are moving, we can find opportunities to trade and profit.
- It's our job to find volatility in the market by hunting for catalysts such as quarterly earnings, press releases, and other types of news.

Why do Most Traders Fail?

- Day Trading requires quick decisions and a lot of discipline. Many new traders initially lack the ability to make good decisions and maintain composure while under the stress of a losing position.
- Skill and Discipline are like muscles that require exercise to grow. Your ability to make quick decisions and follow your trading rules will improve with experience.

How do I find Trades?

- Once I have found stocks that will have the volatility to give us profit potential, I have to find exact entire and exit levels.
- I rely on a handful of simple patterns and strategies.
- I only take the best setups and wait on the sidelines until I see something worth trading.

The Value of Patience

- Learning to be patient is extremely important for your long term success as a Day Trader.
- There are times when we must sit on our hands and wait for better opportunities.
- If we try to trade through poor market conditions, we will typically lose money.

Introduction to my Strategy

- I'm a Pattern Trader! I trade Patterns
- I can lose 40% of the time and still make money because I use Risk Management Principals.
- Over 60% of the Volume in the Market is ALGO HFT Trading
- Every Trader needs an EDGE
- My Edge is Pattern Trading

Pattern Trading

- When price action is plotted on a chart patterns are formed.
- I use Candle Stick Charts.
- Each Candle represents a period of time and you can choose which time frame you want on your charts.
- I use 1min and 5min candle stick charts.

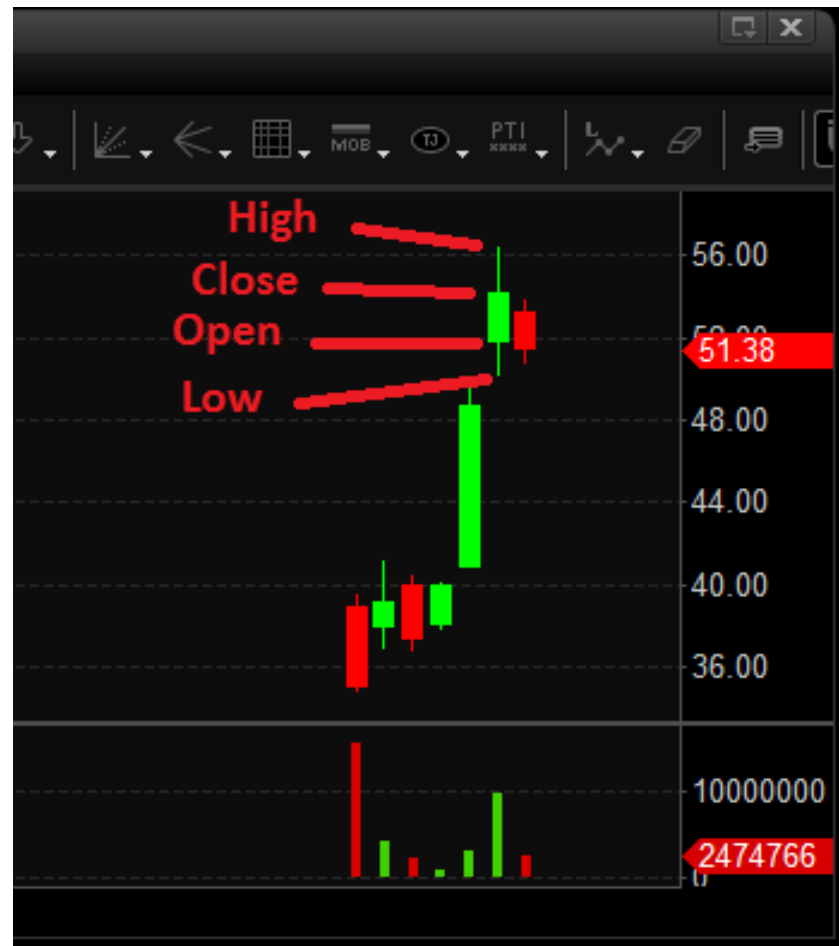
Candle Sticks

What does each Candle Stick Tell us

- Open
- Close
- High
- Low

The shape of candle can also give us information about the market sentiment

The open on Green candles is always the low, opposite for Red Candles



We Will Review these More...



We Will Review these More...



What do Other Traders do?

- Some Traders focus on Technical Indicators (Relative Strength Index, Moving Average Convergence Divergence, Moving Average Cross Overs)
- Some Day Traders Scalp Volume Spikes and HOD Spikes
- Some Day Traders focus exclusively on Counter Trend Trading, buying Low RSI or Shorting High RSI

Pattern Trading

- The More Traders using patterns the better they work
- I trade the highest volume stocks because we have the MOST retail traders watching them.
- Pattern Trading DOESN'T work on ALL stocks. I go into detail in Stock Selection Chapter

Pattern Breakout Trading

- Specifically, I look for Patterns, and Look to Buy the BREAKOUT.
- I buy at the APEX point when the Stock HAS to Breakout, or Breakdown.
- Avoid buying during Consolidation, this is boring and ties up money for too long.

Reversal Pattern

- Wait for a clear reversal confirmation and then buy with a stop at the low of day.
- This only works on stocks selling off on heavy volume
- We need that quick snap in momentum from sellers to buyers.
- Think about the Rubber Band

Setting Stops

- ALWAYS ASK YOURSELF WHATS MY STOP
- I set my stop at the low of the previous 5min candle by default.
- Is the stock moving up?
- Are we still trending up?

Stocks Trend with Market

- Stocks will Trend with the overall Market UNLESS they have a reason not to.
- It's our JOB to Find the Catalyst for a stock to MOVE
- Scan for Earnings, News, Activist Investors, etc.

Retail Traders vs Institutional Traders

- Retail Traders are your regular traders, part-time, full-time, but not working for a firm.
- Institutional Traders represent large amounts of capital, they are trading the accounts of their clients. They are extremely aggressive and have huge positions.
- We want to trade on the same side as the Institutions.

What I do?

- I Don't Trade Fundamentals
- I'm not a Value Investor
- I'm not a Futures or FOREX trader
- I'm an Equities Day Trader focusing on NYSE and NASDAQ listed Stocks

A Day in the Life

- My Typical Day starts at 8am with Pre-Market Scanning
- I look for Stock in Play and Create a Watch List for the day
- By 9am I am sitting at my desk ready to Trade
- 9:30-12pm – Most aggressive Trading using my Gap and Go!, Momentum, and Reversal Strategies.
- 12-4pm – Lighter Trading using my Momentum, Reversal, and End of Day Squeeze Strategies
- 4pm-6pm – Review of Trades from the Day

Market Psychology

- The Winners Walk away
- The Losers Keep Fighting it Out
- Trading 9:30-11am is the easiest time to make money.
- Trading out of frustration to make back losses is a recipe for disaster.

What do you NEED to Trade?

- Charts (eSignal)
- Broker (speedtrader)
- Stock Scanners (trade-ideas)
- Stock News (social media, streaming news)

Charting Software

- I use eSignal
- I focus on 5min and 1min charting time frames
- I use very few tech indicators (will discuss later)
- In eSignal I also use TAS Market Profile Indicators.
- TAS is used by over 15,000 traders on Bloomberg Terminals. This is what Hedge Fund Traders and the Big Guys are using.
- I like to know what Big Guys are seeing

Best Brokers

- You NEED Hot Keys
- Hot Keys allow Instant Orders (we will review in more detail later)
- Level 2 is critical
- You need Aggressive Pricing (depending on your share size)

How to Leverage Responsibly

- Most Brokers will give you 4x Leverage.
- This Leverage is trading on Margin, you are trading the firms Capital and must be responsible!
- Later in the course we will review Risk Management Techniques that can be used to reduce exposure while still being aggressive.

Scanning Tools

- I use Trade-Ideas and can't say enough good things about them.
- 90% of my trades come from Scanners I built in Trade ideas
- You NEED a way to find your stocks, Trade-Ideas is the best way.
- www.trade-ideas.com

Streaming News Feed

- I use Benzinga Pro for the Squawk Box feature.
- This gives live Market news including Volume Spikes, Stock Halts, Take over Speculation, etc.
- Always wait for the dust to settle on News trades
- Don't be an impulsive Trader!

Ebb and Flow of Market

- Keep an Eye on the Ebb and Flow of the greater Market
- We Adjust Risk and Trade Heavy when Markets are Strong
- It's important to Understand Greater market conditions

Macro Channels

- Look at \$SPY and Draw Trendlines.
- You can see Macro Channels, are we near top, bottom, above below?
- This is important information

Trading a Strategy

- If you are trading with REAL money, you must be trading a WRITTEN Trading Strategy
- Your Strategy must have historical data (papertrading) to Support it.
- You must justify why you are worth investing in!
- Papertrade until you have a proven strategy
- Don't LIVE TRADE a new strategy
- Don't be Impulsive

We all have our place

- Where is your place in the Market?
- Are you good at spotting reversals?
- Consolidation Breakouts?
- Track all of your trades and review the data to see where you excel and where you fall behind.
- You might be surprised with what you find!

Be good at 1 Strategy

- If you can be good at just 1 setup you can be successful
- Just Wait for that setup and scan aggressively for that setup.
- Get good at 1 setup, then branch out.
- My favorite are the Gap and Go! and Reversal Strategies.

Extras & Links

- Email me with questions
ross@daytradewarrior.com
- Trade-Ideas - www.trade-ideas.com



Day Trade Warrior

Chapter 2. Risk
Management

Risk Management is #1

- What Separates Good trades from Bad Traders? RISK MANAGEMENT
- Why do 90% of Day Traders fail? They don't utilize RISK MANAGEMENT
- Using Proper Risk Management Principals, we can make money and be WRONG half the time!

Success in Trading

- Success is not about being right 100% of the time. In reality, it's about learning to cut your losses when you are wrong.
- Imagine if all your losses were only \$10, but your winners were \$90.00. You wouldn't need to be right that often to cover your losses. In fact, if you were right just 10% of the time you'd break even.

Choosing Stocks vs Managing Risk

- I want everyone trading strong stocks but we know we can make money with a horrible percentage of success as long as we use proper risk management.
- This means we must focus our foundation as traders on risk analysis first, and stock selection second.
- We'll apply the fundamentals of risk management to proper stock selection and chart patterns.

When I was a Beginner

- I would take trades with ZERO stop
- I realized I could save myself big \$ by simply using a stop.
- Example, I bought a stock at 9.90 with a target of selling at 10.00. I ended up taking a loss when I sold at 9.40 -.50 cents.
- Using proper risk management, I should have had a 5 cent stop with that 10 cent target. I would have been risking 10% of my loss if I simply used a proper stop.

Always Know What You Stand to Lose

- If you don't know how much you are risking in a trade, you are asking for trouble.
- Always know your potential risk, it's how to establish the value of taking a trade.



Sometimes the Best Trade is
the Trade you Don't Take

What is a Profit Loss ratio

- 50 cent average winner : 25 cent average loser is a 2:1 profit loss ratio.
- Successful Day Traders have a MIN profit loss ratio of 1:1, and aim for 2:1, 3:1 and sometimes higher.
- A high profit loss ratio means you can be wrong a lot, and still make money.

Profit Loss Ratio Stats

- 2:1 Profit Loss Ratio = 33% is Breakeven
- 1:1 Profit Loss ratio = 50% is Breakeven
- 1:2 Profit Loss ratio = 66% is Breakeven

Put Statistics in your Favor

- KNOW YOUR STATS
- Know your Average Winners and Losers
- Aim to always Improve this Ratio
- Small Adjustments can amount to Big \$

Target P/L Ratio

- Clearly P/L Ratios are HUGE in risk management
- I aim for a 2:1 Profit Loss ratio.
- I want EVERY trade to have the Potential to double my risk.
- Sometimes I sell sooner if I get an exit indicator, that's okay!

2:1 = The Golden Ratio

- NEVER take a Trade the Doesn't give you the chance to double your risk.
- Risk \$100 to make \$200.
- ALWAYS ASK YOURSELF – Is this a 2:1 Profit Loss Ratio?
- When the profit window is larger, we have a better chance of capturing a winner even if we don't have the best entries or exits.

What Type of Trader Are YOU?

- Scalpers usually have a NEGATIVE profit loss ratio
- Being a scalper sounds easy, but it's actually VERY hard. You must be right more than 70% of the time to make money after commissions.
- Don't be a Scalper! You can't afford it!

Balance your Risk

- If you take 10 trades and risk \$100 on 9, and then risk \$10,000 on the 10th and lose, you have BAD balance across your trades.
- It's okay to go heavy or light, but you must be relatively balanced between your risks
- I risk between \$200-400. This puts the majority of my trades on the SAME LEVEL

Gambles think about profits

- Traders think about Risk
- Always ask, WHATS MY STOP?
- Do you have a mental stop?
- How much are you risking in this trade?
- If you're going to take 17k shares and you're risking 10 cents (\$1,700), you better make sure you stand to make at least 20 cents (\$3,400).
- Whether you take 17k shares or 170 shares, the profit loss ratios need to be sustainable.

Be GOOD at being WRONG

- I'm Wrong 40% of the time and Make Money.
- Learn to be GOOD at being Wrong
- Take lots of small losses
- Always get your stops as tight as possible
- As soon as a setup doesn't feel right I bail out.
- Sometimes this means I sell for a small loss and then end up seeing the stock run, but other times I sell for a small loss and then the stock ends up tanking.
- I have these rules because they keep my account SAFE and help me reduce risk.

5 Types of Risk

- 1. Exposure Risk (amt of \$ in Trade)
- 2. Distance from Stop x Share size
- 3. Slippage
- 4. Float and Volatility
- 5. Time in the Trade

Add to Winners not to Losers

- I avoid Averaging Down
- I add to Winning Trades
- And Scale out of Losing Trades
- If a Trade isn't working, I can Sell half, and Buy back if the pattern shapes up again!

Selling Winners & Holding Losers

- Many New Traders Struggle with Selling Winners too Soon and Holding Losers Too Long.
- Set your Stop and follow it.

Plan the Trade: Trade the Plan

- This is very important. If you intended to Scalp, don't turn it into a 5hr hold.
- If you intended a short term day trade, don't turn it into a swing trade.
- Don't average down
- Don't add to a bad Chart Pattern

Determining Profit Targets

- We look for nearby resistance and use those areas of resistance as the first potential profit target areas.
- Momentum Stocks can be irrational, we look to take advantage of traders with short positions and force squeezes.

I'll Keep Adding

- 7 Figure account Traders can Buy anywhere, add more, and make their way out of a trade with profit.
- This isn't MOST traders
- This is not a good way to trade for MOST traders.

Mitigate Risk by Trading Strong Stocks

- Trade the Strongest Stocks
- Trade the Strongest Patterns
- We will review these later in the course, but this is critical to remember.

SEC Stock Halts

- Volatility Halt 10% in 5 minutes results in a circuit breaker halt. Stock is halted for 5 minutes.
- Halted Pending News. Once news is released, stock will reopen
- Halted Pending SEC investigation (penny stocks, pump and dumps)

Extras & Links

- Email me with questions
ross@daytradewarrior.com



Day Trade Warrior

Chapter 3. Stock Selection

Stock Selection

- How do we get an Edge over HFT's
- In 2010 over 60% of Market Volume is HFT's (Business Week article)
- What is our Edge in the Market? – Pattern Based Trading
- Computers can't Find Patterns that Retail Traders are focused on
- What types of Stocks should we trade?

HFT trading

- If HFT is 60% in the overall market.
- It will be HIGHER on some stocks, and LOWER on others.
- How do we identify pockets of Safety?
- High Relative Volume driven by Retail Traders

We Trade EXTREME Stocks

- We Combat HFT's by Trading High Vol
- Look at RELATIVE volume
- The Chart Patterns we trade only work on Certain Stocks. On some stocks, they don't work at all!

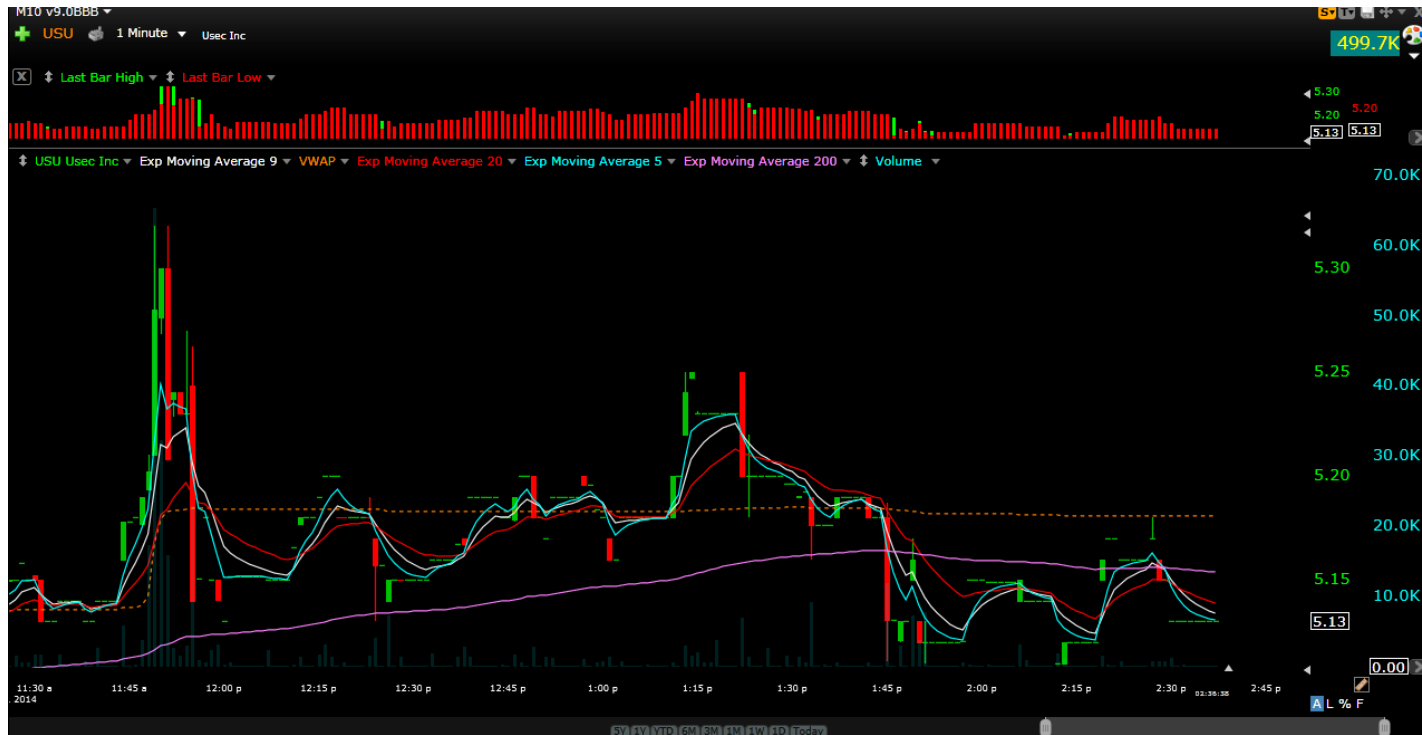
Follow High Relative Volume

- We Follow the Volume in the Markets
- There are typically a handful of stocks each day experiencing very high relative volume. This is where we have to focus our attention.

Stocks we DON'T Trade

- We won't trade a Fund, Index, Commodity
- We won't trade penny stocks
- The Charts on these equities are derived from greater influences and therefore don't hold significance
- Examples: \$VXX, \$SPY, \$CORN

Low Volume Example



High Volume Example



What Creates High Relative Volume?

- High Relative Volume is the result of a Catalyst
- We look for the Catalyst!
- Earnings, Breaking News, Activist Buying

- Example: \$SRPT, \$HLF, \$FDO

News Example - \$SRPT



We Trade the Big Days



The Scanners focus on Gaps

- What is a Gap?



How to Find the Stocks

- We use Stock Scanners
- These Stocks are having a once in a year event.
- We Scan for HIGH Pre-Market Volume
- We will review scanners in more depth later in the course

Gappers & Earnings

- Scanning for 4% gaps and earnings

Earnings Plays: 9:...					Gappers > 4%: ...				
Sym...	T...	%			Sym...	T...	%		
PANW	101K	4.1			NPSP	979K	18.3		
KKD	29K	-2			GTAT	934K	-7.2		
VRA	25K	1.8			OTIV	635K	15.1		
RH	1.2K	0.6			AU	484K	-11.9		
FRAN	950	0.0			CAMT	482K	13.7		
BKS	200	0.5			MNDL	296K	12.9		
FIVE	175	1.9			SCOK	242K	-7.6		

Scanning Pre-Market Volume

- Looking for leading Pre-Market Volume that may have slipped between Earnings and Gappers scanners

Pre-Market Volume: 9:30:00 - 9:34:59

Sym...	T...	%	\$		Company Name ^
SIRI	2.7M	1.0	3.62	9.67	SIRIUS XM HOLDING INC COMMON
OTIV	2.5M	14.5	3.89	816	ON TRACK INNOVATIONS
CPE	2.4M	2.6	9.38	1.1K	CALLON PETROLEU
NPSP	1.2M	18.2	...	377	NPS PHARMACEUTI
GPRO	906K	4.8	...	8.88	GOPRO
TWTR	818K	3.0	...	10.5	TWITTER INC
BP	667K	1.9	...	19.6	BP
HUN	607K	4.9	...	39.4	HUNTSMAN
CAMT	549K	13.2	4.42	2.0K	CAMTEK
MNDL	448K	14.9	5.69	472	MANDALAY DIGITAL GROUP
SUNE	336K	2.8	...	3.63	SUNEDISON INC
GRMN	321K	0.4	...	87.4	GARMIN

How I create my Watch List

- Each morning I create a watch List of the top Pre-Market Volume Stocks
- I mark out the pre-market Highs, and Lows. These are going to be the levels in play.
- I like to trade breakouts of pre-market highs, especially if there is a flag pattern.

Former Runners

- It's always a good idea to keep an eye on stocks that you remember are former runners. These are stocks that put in huge candle sticks on the daily. We know when a catalyst comes out they can get wild!

Former Runners Cont.



Follow Through Days

- The day AFTER a huge move is considered a follow through day. Sometimes these stocks will follow through, break the high of the breakout day, and continue to run. Other times they trade inside the price action of the previous day and aren't worth trading.
- In general, I wait for these stocks to break the high of the previous day before I jump in. Breaking the high shows continuation of buying momentum.

Follow Through Days Cont.



Gap and Go!

- With stocks gapping up over 4% we often see a pattern called Gap up, Go up. The stocks gap up and then surge out of the gates with tremendous volume and make a quick move up.
- In contrast, stocks gapping less than 4% often Gap up, then fill the gap by selling off.
- We will review this strategy more in Chapter 6

Gap down, Go down

- Stocks that Gap down more than 4% often times will actually pop up at the open before slowly consolidating near the lows and then selling off.
- I don't trade Gap downs as often as Gap ups. I prefer the Gap up, Go up strategy because the moves are usually cleaner.

Watch List

- Once I have my Watch List I keep those stocks on WATCH until they prove to me they aren't worth watching
- I will watch them all day if I have to
- If you want 4 stocks all day, you are guaranteed if a pattern forms you won't miss it.
- On the other hand, it's important to remember that patterns only follow through when there is high relative volume. So the 4 stocks you choose to watch all day must have very high relative volume.

Adding to Watch List

- As the Day progresses, I may take stocks off my watch List that have failed
- I may add new stocks that weren't originally on my watch list but have strong momentum that came from under the radar.
- I will add stocks that have breaking news intra day

Breaking News

- Listening to Benzinga (or other squawk box style news services) gives you very quick notice on breaking news
- Breaking news can turn a boring day into the biggest day of the year
- We must be SELECTIVE on what news we are willing to trade

Trading News

- Trading News is Risky, and we need to have hot keys to move in and out of these trades quickly.
- The confirmation that the news is good is strong volume.
- Typically the safest way to play news is to wait for the 1st pull back, then smart traders will begin buying (be one of those smart traders)
- Don't be impulsive and just start buying when you hear news, this is very dangerous.

Stock Selection

- Remember while you are reviewing stocks that we always want to have the home run big win potential.
- We must also be able to apply out risk management techniques to any stock we're considering.

Stock Selection as Risk Management

- Stock Selection is a 2nd level of Risk Management
- By avoiding penny stocks, low volume stocks, illiquid stocks, we can focus our trades in safer areas of the market.
- Use your Stock Selection as an opportunity to reduce risk.

Extras & Links

- Email me with questions
ross@daytradewarrior.com



Day Trade Warrior

Chapter 4. Setting up your
Charts - Daily Chart,
Understanding Triggers &
Recognizing Windows

Charting is Technical Analysis

- Technical Analysis is a form of interpreting price action and critical areas of support and resistance
- As Pattern Traders, we look for Technical Breakout patterns
- These are areas on the chart where we will see many buyers and sellers
- Volume will confirm the technical breakout is happening

Key Levels

- We learn to anticipate the breakout levels on a chart where volume will come in.
- By anticipating these, we have our orders ready to buy just before or just as volume begins pouring in.
- This allows us to get the max profit with the min amount of time waiting.

Technical vs Fundamental Analysis

- As Day Traders, we focus on technicals.
- We don't want to get into the game of justifying holding a trade because of fundamentals such as "strong sector" or "strong company profits".
- Fundamentals are important for longer term investors, swing traders, etc.
- Short term traders have to focus on immediate levels of support/resistance
- These levels will come from Tech Analysis

Technical Indicators

- Technical Indicators are complex formulas that provide a context for current price action
- Many technical indicators LAG behind price action. Therefore, they are slower to react, and not helpful for day trading.

Example of Lagging Indicators

- RSI
- MACD
- Money Flow
- Alligator Indicator (moving average crosses)
- Retail Traders aren't using these for Day Trading

Combining Technicals and Fundamentals

- When I'm preparing my watch list I want confirmation that there is a fundamental reason why the stock is gapping up and trading on high relative volume.
- Once I know we have a fundamental catalyst, I switch my focus to the technicals. I don't really care too much what the fundamentals are, just knowing there is an actual reason for the price action is what I want.

How to Setup your Charts

- Throw away all technical indicators!
- I Use the Following
 - 9ema
 - 20ema
 - 200ema
 - Volume Weighted Average Price VWAP
 - TAS Market Profile Indicators

Time Frames

- I like to use the 1min, 5min, and Daily Charts.
- These 3 charts are what I look at on almost every stock.
- I focus on the 5min and 1min the most, with an eye on the Daily to confirm we aren't approaching a major area of resistance.

Daily Charts

- Some Traders believe you MUST have a strong daily chart in order to trade the stock
- I used to believe that, but I've found strong intraday stocks override a poor daily chart.
- With that said, the PERFECT setup has a strong Intraday AND a strong Daily Chart

What makes a Weak Daily?

- A Weak Daily Chart has a lot of nearby resistance
- Is blocked by Moving Averages
- Has very little Volume.
- An Amazing Daily Chart with no Intra-Day Volume is usually not worth trading.
- We need the perfect combination of daily and intra-day setups or most home run trades.

\$LULU daily bad chart

- So much resistance!



What Makes a Strong Daily?

- First thing I look for are the windows, and I mark them out with trend lines.
- I also look at ascending and descending support/resistance Trend Lines
- Look for Triggers

Windows

- I look for windows on a chart.
- A window is a large area of no support or resistance. This can be in the form of a gap or a large candle stick. It must be one or the other.
- A good window has the Average True Range of a stock in open area.
- The best setups have several big windows lined up.

What is Average True Range (ATR)

- Average True Range is the average price range of a stock in a typical day.
- For some stocks this will be as low as 15-20 cents of average range, while other stocks will have an average range exceeding 5.00 a day.
- We look for higher ATR stocks because we have more room for setups and profit potential. I like a min of a 50 cent ATR on most stocks.

What is a Trigger?

- A trigger is the price right where a window begins.
- It's the price (to the penny) on the Daily Chart where you think a massive breakout could occur.
- This Trigger should be extremely obvious. Every retail trader should be able to see it!
- The more obvious, the more likely it will resolve as we expect!
- Don't over complicate this.

Trigger vs Resistance?

- When you look at a spot on the chart and you think it's a trigger, could it also be a point of resistance?
- A true Trigger will have at least the ATR of the stock in space until the next area of resistance.
- This makes the Trigger powerful!
- If the next resistance is 10 cents away, there is no power. Nobody cares

Strong Daily Chart on \$WB



\$WB with more Trend Lines



How to Draw a Trendline

- A trend line gains validity the MORE times it's been tapped. Just like a flat top breakout, the more times we tap, the more validity the resistance level has.
- If your trendline only has 2 taps, it might not be very strong.

Gap Up (window of no resistance)



Gap (Window of no Resistance) on the Daily Chart





Gap Examples



Gap Fill

- A Gap Fill is when a Gap is filled by Price Action.
- Gap Fill is something we can aim for as we buy a stock entering the window of Gap
- Once Gap Fill is complete we can look for reversal off the top of the gap fill line

Scanning Daily Charts

- You can use StockCharts or Finviz
- Trade-Ideas can also be used for scanning
- When I scan Daily Charts I Create Price ALERTS in eSignal then pretty much forget about them until they go off.
- Check Alerts As they Pop Up, but if No Volume, No Trade

Don't worry about Daily Chart Watch Lists

- I do my homework each night, but it's not scanning through daily charts looking for a setup.
- Typically a great daily chart will end up having very little volume and poor follow through.
- Instead of making a daily chart watchlist, spend your time reviewing trades you've taken on the 5min chart.

Daily Chart Patterns

- www.daytradewarrior.com/daily-charts
- Flat Tops
- Flat Bottoms
- Bull Flags
- Bear Flags

Setting up Charts

- We're setting up our charts to give us the best understanding and context for current price action.
- This allows us to make well educated decisions and reduce our risk as traders. One again, returning to the importance of finding risk management opportunities.

Extras & Links

- Email me with questions
ross@daytradewarrior.com



Day Trade Warrior

Chapter 5. Intraday Chart
Patterns

What do we know?

- We have learned about Managing Risk (2:1 profit loss ratio 50% success target)
- We have learned how to find the “Right Stocks” (high relative volume)
- We have learned what good Daily Charts look like and how to find pockets or windows of no support/resistance

How to find Entries?

- We know the “right stocks” how to we find buy and sell spots?
- CHART PATTERNS
 - Flags are my favorite
- HFT's can't find patterns the way retail Traders can, that's why patterns work best on stocks everyone is trading that day.

Intraday vs Daily charts

- When we have a super strong stock it can override a poor daily chart.
- A great daily chart usually can't override a poor intraday chart or a lack of intra-day volume
- Focus on the stock being a Stock in Play!
- Some of the biggest home run trades will have both great daily and intraday charts

Volume Makes the Pattern

- We NEED volume to make a pattern resolve. Without volume, the pattern will fail.
- Ask, do we have High Relative Volume?
- Is Volume coming in at the Breakout Spot?
- Volume confirms we are right, other people see the pattern too!

Trend Continuation Setups

Breakouts are Best 9:30-12

- We look to get into a stock already trending.
- We must look for safe entries.
- We can trade Pull Backs and Breakouts.
- We set tight stop because we are buying stocks usually somewhat extended.
- I find the cleanest breakouts occur at the open then slow down going into Lunch at 12noon.
- Afternoon setups usually only work if there is really good consolidation with a TIGHT stop.

Trend Continuation Requirements

- We look for immediate resolution or we bail out.
- Ideal Trending Stocks have clean Daily Charts with Windows
- We trade most aggressively 9:30-10am and 3:30pm-4pm. The first 30min and last 30min is when we typically see the most momentum.

Catalyst Required

- For Trending Stocks I like to know there is a catalyst.
- A catalyst can be earnings, press release, or other type of news that impacts the stock.
- This gives us the reason traders will be excited to trade this stock.
- We want to be trading the stocks everyone is talking about. They are being closely watched, and will typically have cleaner FOLLOW THROUGH.

Flat Top Breakout Pattern



Flat Top Breakout Pattern

- Ascending Wedge Patterns
- This is one of my Favorite Patterns
- Coiling is good, Period of Consolidation
- We don't want to see a U shape or Double Top formation, this is bearish.
- Flat Top Breakouts are a PATTERN
- **<http://daytradewarrior.com/breakout-trading-strategy/>**

Flat Top Pattern – Entry Indicators

- I look to buy the resistance breakout and set my stop at the low of the last 5minutes candle.
- If I don't get immediately breakout, I often sell $\frac{1}{2}$ or all my position and wait.
- We should see quick resolution when these ascending wedges breakout.
- The long period of coiling is building strength for the break. If the break doesn't come with volume, it's also a bad sign.

Flat Top Pattern – Exit Indicators

- Stop is the low of the last 5min candle
- If I risk 10 cents my goal is to make 20 cents.
- Once I can sell $\frac{1}{2}$ at 20 cents, I will adjust my stop to breakeven to protect profits.
- At this point, I will use a trailing stop, adjust my stop as the stock moves up.

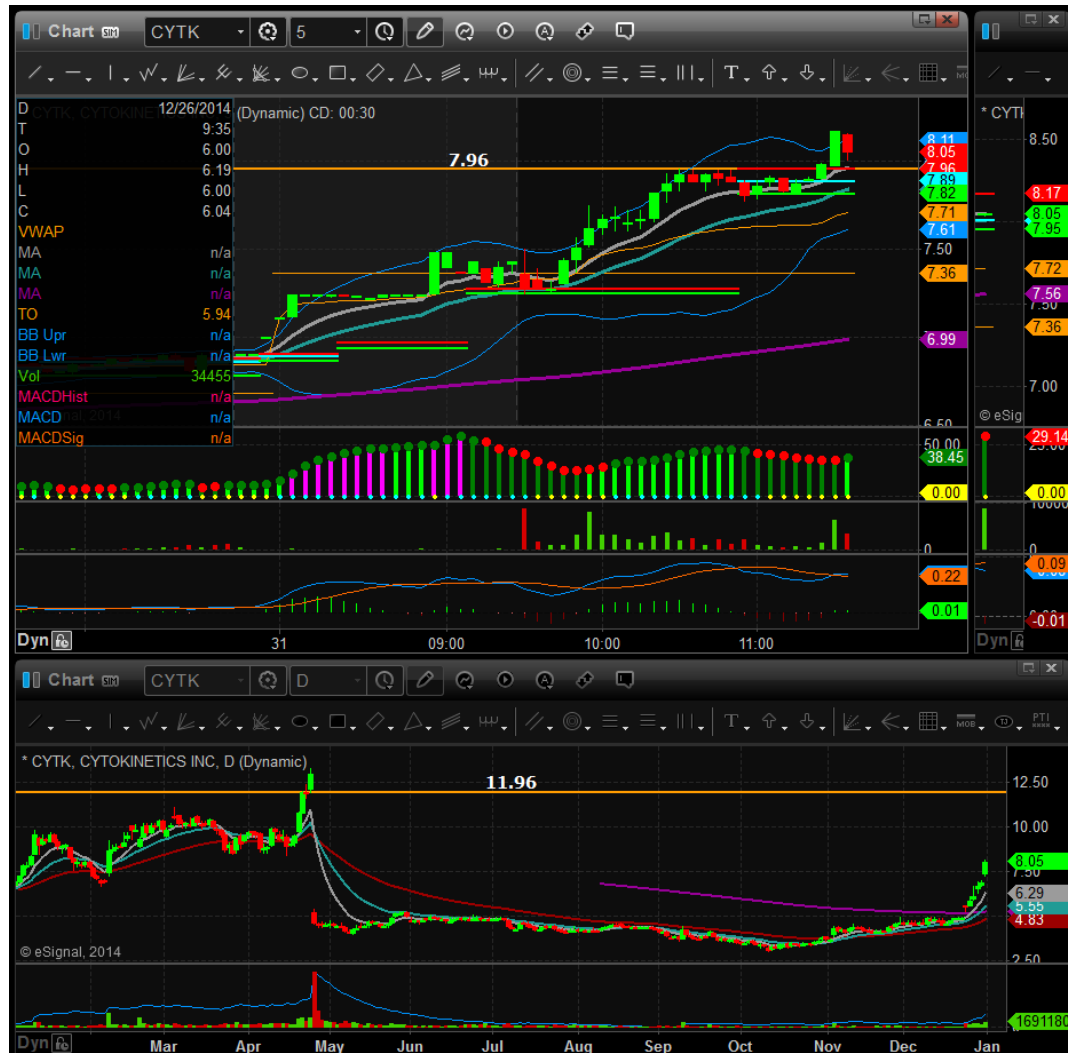
Intraday and Daily Coming Together



Flat Top Breakout



Flat Top Breakout



Flat Top Breakout



Flat Top Breakout



Flat Bottom Breakdowns Pattern

- <http://daytradewarrior.com/breakdown-trading-strategy/>



Bull Flag Breakout Pattern



Bull Flag Pattern

- Bull Flags are a little riskier but work best on high volume stocks in the morning.
- I look for these patterns and then trade them on the Surging Up/Momentum Strategy I will review tomorrow
- Quick Ramp up, small pull back, then go
- **<http://daytradewarrior.com/bull-flag-trading/>**

Bull Flag Pattern - Entry Requirements

- I Look for a sharp ramp up, and a small pull back.
- The pull back can't be more than 30% of the move up, and MUST hold the 50% retracement line.
- I buy the first candle (1min if heavy opening range vol, 5min if lighter mid-day vol) to make a new high.
- Stop is at the low of the pull back.

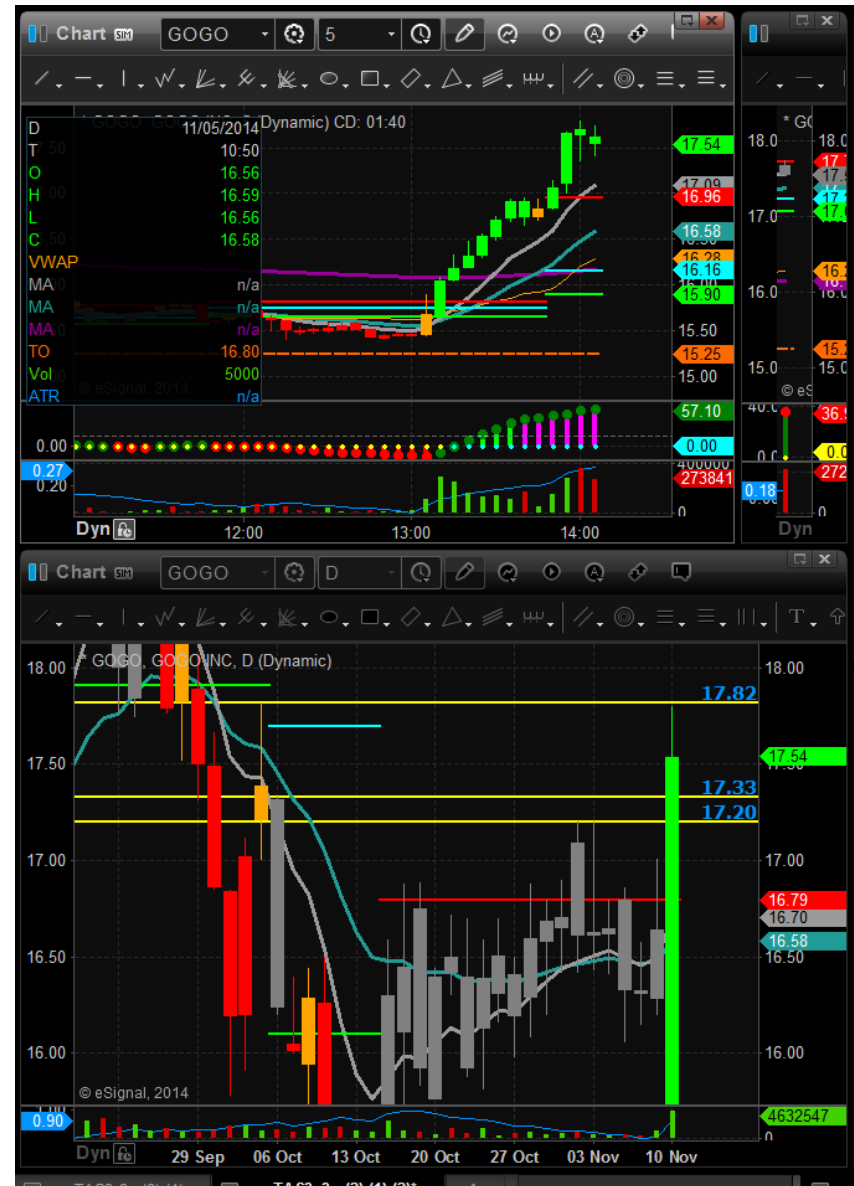
Bull Flag Pattern - Exit Indicators

- Like the Flat Top Exit Indicators, I set my stop at the low of the last 5min candle, and will keep a partial position as long as possible.
- Once I have hit my 2:1 profit loss ratio, I will sell $\frac{1}{2}$ and adjust my stop to breakeven.

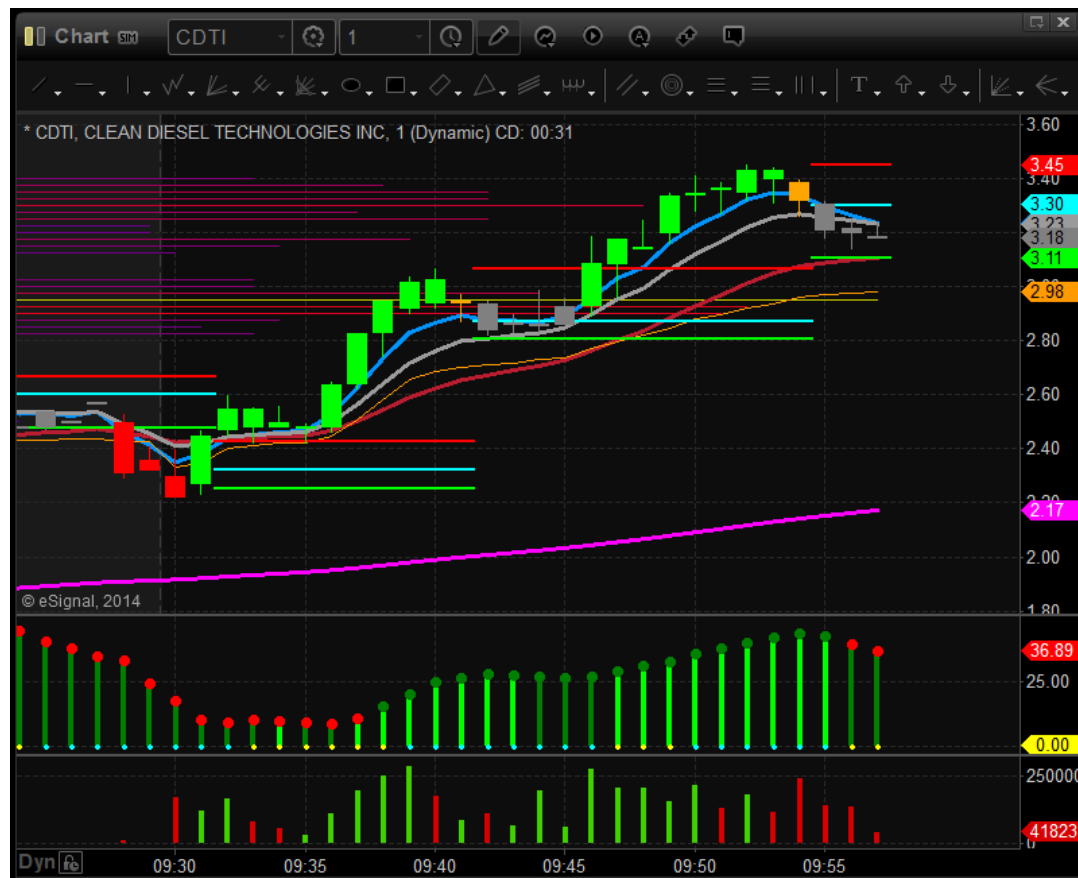
Bull Flag Breakout Pattern



High Flying Bull Flag Pattern with excellent daily chart



Bull Flag Breakout Pattern



Bull Flag Breakout Pattern



Bull Flag Pattern (volume)



Bear Flags

- Bear Flags will have a quick drop, then a few candles of bouncing. Then more selling. Any pause in Selling is considered Bearish
- Entry requirements and Exit Indicators are the same as Bull Flags except in reverse.
- <http://daytradewarrior.com/bear-flag-trading-strategy/>

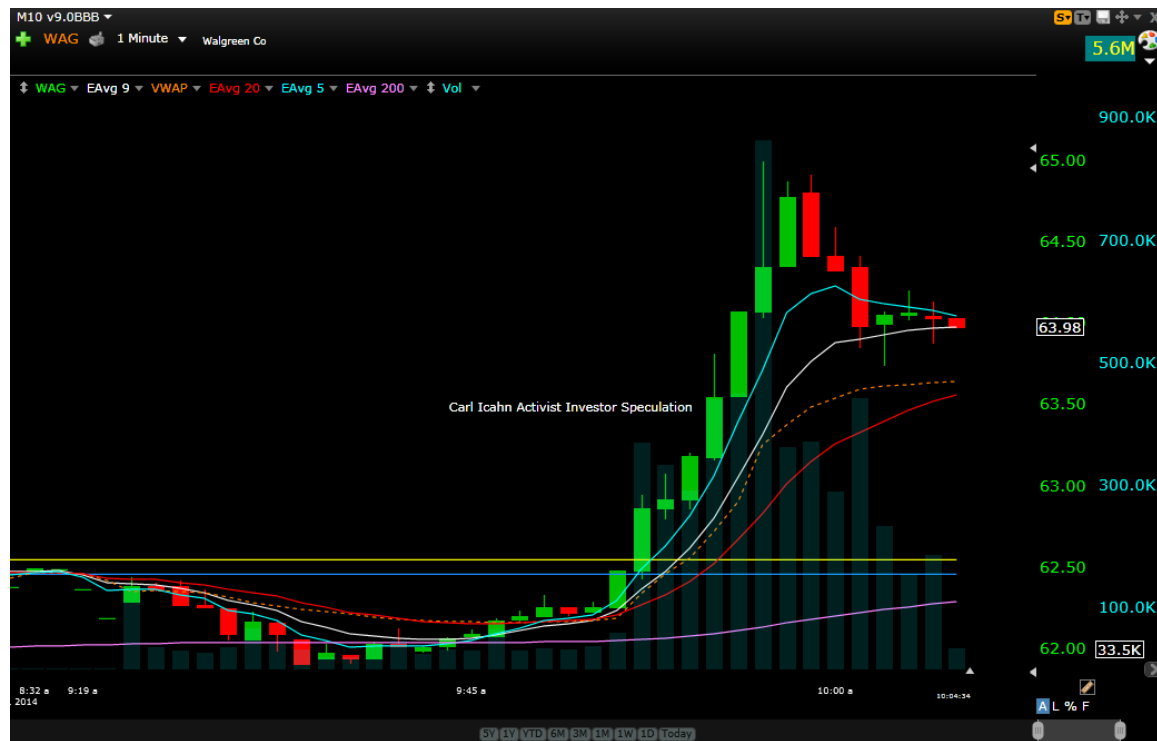
Bear Flags



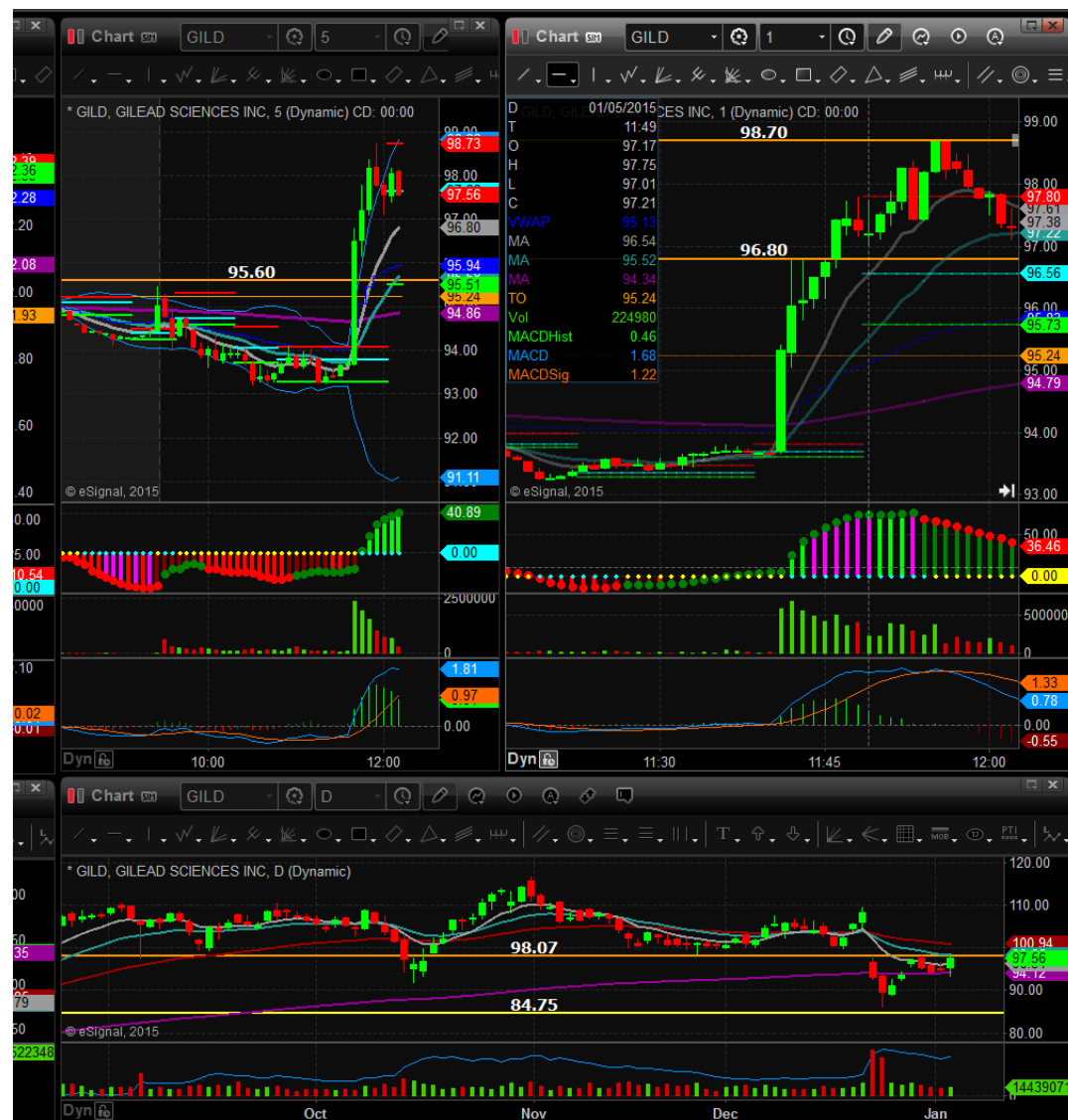
News & IPO Trades

- Always Remember to Let the Dust Settle
- When News Breaks, The combination of high frequency Traders and aggressive retail traders can create huge volatility.
- News is risky!
- Wait until a PATTERN is forming, bull flag, flat top, etc.
- Volume 1st candle, 200k shares, 2nd candle, 20k shares, NO GOOD

News example



News example



IPO example



Intraday Chart Patterns

- We focus on strong intraday chart patterns as another measure to reduce our risk. All the steps we've taken, from stock selection to pattern selection, are based on reducing risk and improving our probability for success.

Extras & Links

- Email me with questions
ross@daytradewarrior.com



Day Trade Warrior

Chapter 6. Intra-Day
Trading Strategies

Gap and Go! Strategy

- The Gap up, Go up Strategy is a simple gap play strategy.
- I look at the biggest % gappers and the look for the highest volume.
- All Gap up candidates need at least 4% gap and I prefer at least 100k in pre-market volume

Gap and Go! Check List

- 1) Scan for all gappers more 4%
- 2) Hunt for Catalyst for the gap (earnings, news, PR, etc)
- 3) Mark out pre-market highs and high of any pre-market flags
- 4) Prepare order to buy the pre-market highs once the market opens
- 5) At 9:30am as soon as the bell rights buy the high of the first 1min candle (1min opening range breakout) with a stop at the low of that candle or buy the Pre-Market highs.

Gap and Go! Red to Green

- The Red to Green Move is a powerful reversal setup to trade. It is most powerful between 9:30-9:45. I only take Red to Green moves on Gappers.
- Characteristics is that a stock gapped up, sold off for a few candles, then rips up through the highs and goes green.

Gap and Go! Red to Green Example



Gap and Go! Watch List

- I get all my Gap up Strategy stocks from my Trade-Ideas gapper scanners.
- Ideally I want a stock that is gapping up between 5-10% and is consolidating pre-market in the top 20% of the pre-market range.
- I really like when a stock has a well defined pre-market flag.

Gap and Go! Watch List

Gappers: 9:12:31 - 9:13:00						
Sym...	T		%	E Day	\$	Compan
LIVE	122,632		15.8		3.81	LIVEDEAL
JOB	36,699		12.0		1.40	GENERAL EMPLOYM
MTW	199,616		10.3	22.75	23.07	MANITOWOC
RXDX	27,902		7.0		7.00	IGNYTA
ARTX	14,400		5.4		2.42	AROTECH
JUNO	193,372		4.3		50.82	JUNO THERAPEUTIC
ATOS	17,580		3.7		1.95	ATOSSA GENETICS
CIG	24,480		3.7		5.11	ENERGY CO of MINA
CS	23,828		-2.0		25.45	CREDIT SUISSE GRO
GPRO	194,967		-2.0		67.82	GOPRO
ALU	434,014		-2.2		3.63	ALCATEL-LUCENT
PWE	11,965		-2.2		2.18	PENN WEST PETROL
SAN	31,120		-2.3		8.49	SANTANDER FINANC
NLY	12,554		-2.4		11.07	ANNALY CAPITAL
SNN	84,057		-2.8		37.45	SMITH & NEPHEW
PSTI	13,595		-3.3		2.37	PLURISTEM THERAP
CUBA	13,116		-5.2		9.10	HERZFELD CARIBBE
AMBA	40,411		-5.3	-16.25	53.00	AMBARELLA INC
PT	50,550		-8.3		1.11	PORTUGAL TELECO
NBG	240,990		-8.6		1.81	NATIONAL BANK of C
EMITF	12,282		-9.5		1.53	ELBIT IMAGING LTD

Gap and Go! Choosing the Best Stocks

- I select the stocks I'll use for the Gap up strategy based on the size of the gap, the catalyst causing the gap, how familiar I am with the stock, and the amount of pre-market volume.
- I always mark out the pre-market high, and the high of the pre-market consolidation (if there is any)

Gap and Go! How to Trade

- When the Market opens at 9:30 I usually have an order ready to buy the Gap up stock at the pre-market highs. I am looking for an immediate push through pre-market highs (where I'll buy) then a squeeze.
- These trades last anywhere from 3min-15min depending on their strength

Gap and Go! Buying 1st candle high

- Sometimes the best gappers are too far off the pre-market highs to buy at high of day. In these cases, I wait for the first 1 min candle to close and I buy the high of that candle with a stop at the low of that candle.
- This type of strategy is applied only from 9:30-10am.
- I also call this my Opening Range Breakout Strategy.

1min Opening Range Break



Gap and Go! examples



Gap and Go! examples



Gap and Go! examples



Gap and Go! examples



Opening Range Breakout Strategy

- The Opening Range is an extremely powerful time of day. We have the most volume in the market from 9:30-10am.
- I focus first on Gap up Stocks, and Secondly on stocks Surging up out of the gates.
- The Surging up Stocks will be on my Trade-Ideas scanners as well.

Opening Range Breakout Strategy Cont.

- Typically the Opening Range is considered the first 15min. Therefore, an O.R.B. (opening range breakout) would be a break of the 15min HIGHS.
- This is also going to look like a bull flag or a flat top candle stick pattern in MOST cases.
- How do we find O.R.B. candidates? Typically these will be our Surging Up Scanner or a Gapper.
- The O.R.B. is a setup, like a Bull Flag or Flat Top Breakout, except that it includes a specific time frame.

Momentum Trading Strategy

- Stocks on the Surging Up Scanner from 9:30-10am are often good for quick moves to the upside.
- I apply the Strategies we reviewed yesterday to these stocks. I look to get in Surging Up Stocks on the 1st pullback, I will also consider the 2nd pullback but rarely chase stocks beyond that.
- The first pullback usually takes the form of a bull flag for a flat top breakout. These provide easy entries for quick profits. These trades are usually 5min-15min long.

Momentum Trading Strategy Cont.

- These stocks are often under the radar runners. They weren't on my gapper scanner and may not have had a lot of pre-market volume, but as soon as the bell rings volume pours in.
- What we want to do is buy these on the 1st or 2nd pull back. We use the Flat Top or Bull Flag candle stick patterns on these stocks.
- The Surging Up scanner is how we find them.

Momentum Trading Strategy Cont.

- The key to the surging up scanners is that they are showing the stocks in the market right now with the most volume
- At any given time we can check the surging scanners to see where the volume is. These stocks are often going to be in play and form patterns we can trade.
- Remember, as Day traders, we are FOLLOWING THE VOLUME around the market. That's our job!

End of Day Squeeze Strategy

- I look at the biggest % gainers. When we have a stock that is up 25% or more, there is a chance anyone that is short will have to cover before the close. Some of these shares will be automatically covered by market orders from a clients broker.
- Requirements, stock must be up 25% and trading AT HIGH OF DAY
- I look to scalp a bull flag or flat top breakout from 3:30-3:59. These can result in quick squeezes. On this strategy I set tight stops (10 cents, with 20-40 cent targets, depending on the price range)

Momentum Example



Momentum Example



Counter Trend Trading Strategies - 10am-4pm

- Trading Against the Trend is Risky
- However, if we can get a tight stop, there can be a lot of Upside Potential with a clear line in the sand that is your stop.
- Rubber Band Concept – Stretched out, need to bounce back!!
- I really like Counter Trend Trading from 10am-4pm. I don't take the trades before 10am typically

Top Reversals Strategy

- I believe the majority of Retail Traders have a Long Biased. This makes Top Reversals difficult because fewer people are shorting.
- Newbies can get smoked!
- Never hold after exit indicator and use caution
- We will focus on Bottom Bounces, but remember the Top Reversal Strategy is Simply the Bottom bounce in REVERSE
- <http://daytradewarrior.com/top-reversal>

Top Reversal Example



Bottom Bounce Strategy

Setup Requirements:

- Look for extension to downside (rubber band)
- I look for a STRONG sell off on high volume
- The best bounces are heavy sell offs that have a peak in volume at the low of day.
- I focus on Bounce plays from 10am – 4pm.

Bottom Bounce Strategy

Entry Indicators

- Look for 1min candle to make a new high – This is where I take ½ size
- Look for 5min candle to make a new high – This is where I double up, or take an initial position

Exit Indicators

- Stop is always at the low of day.
- Adjust stop to low of last 5min candle as you move into profit zone, selling along the way.
- Target is always at the VWAP

Bottom Reversal “Bounce”

- Bottom Bounces have the advantage of Short Covering and Retail Traders jumping in to scalp the Bottom Bounce
- Examples of Bounces:
<http://daytradewarrior.com/bottom-reversal/>

Bounce Examples – Volume Peak (5min vs 1min)



Bottom Bounce



Bottom Bounce



Bottom Bounce



Extras & Links

- Email me with questions
ross@daytradewarrior.com



Day Trade Warrior

Chapter 7. Stock Scanning

Scanner Settings

- Just like Charting Software and Broker Access, you need Scanners
- You need a way to find the stocks you will trade.
- I use Trade-Ideas.
- Simple Scans usually work very well
- Complex scans can also be helpful

Tools vs Skills

- We want to have the best tools, but if we don't know how to use them they're worthless!
- Learning to use Trade-Ideas will allows you to harness the technology and put more money in your pockets.

Tools of the Trade

Surging Up - v2: 2:46...

Sym...	T...	5
FLML	36.0	7.9M
ETRM	55.8	19M
DPM	2.57	1.0M
FCSC	9.88	529K
SRNE	9.61	1.7M
FXCM	6.51	1.6M
OKE	2.03	3.3M

Relative Volume Leader...

Sym...	T...	5
BRG	39.6	1.1M
HPP	14.2	3.5M
SRNE	9.61	1.7M
XON	11.1	4.5M
EHTH	8.02	1.0M
SMSI	28.5	4.2M
FNDF	44.7	1.7M
UWTI	6.94	18M
NEWM	15.0	2.5M
GNC	13.6	1.2M

Jeff V5 Reverse

Reversal Scan - Confirming v6 (bb + cc)

Time	Symbol	Time	Sym...	T...	5	Rel 5	1	5
2:34:46 PM	SPW	2:34	WSM	1.96	778K	445.2	75.1	7
		2:34	ETE	1.64	2.3M	272.0	77.2	7
		2:32	ETE	1.64	2.3M	440.1	75.3	7
2:34:20 PM	WSM	1:39	DPM	2.34	744K	198.8	19.8	-4
		1:38	DPM	2.34	743K	210.7	20.4	-4
2:34:10 PM	ETE	12:30	XON	8.83	2.3M	2,352.0	81.5	4
		11:40	ABC	1.78	816K	296.2	73.6	6
		11:39	ABC	1.73	792K	218.5	72.3	5
2:33:29 PM	SPW	11:37	ABC	1.70	770K	216.8	71.2	5
		11:29	PRU	1.56	1.1M	227.6	24.9	-6

Reversal Scan - High/Low RSI

Time	Sym...	Strategy Na...	Rel 5	T...	5	Beta	U	1
10:24	FLML	Below 10 RSI	6.8	27.16	1.2M	2.7K	0.63	-1.7
10:21	FLML	Below 10 RSI	7.2	26.34	1.1M	1.9K	0.63	-1.6
10:17	FLML	Below 10 RSI	8.3	26.54	1.1M	1.8K	0.63	-1.5
10:17	FLML	Below 10 RSI	8.5	26.53	1.1M	1.8K	0.63	-1.4

Gappers: 9:15:00 - 9:19:59

Sym...	T...	5	%	Day	\$
SEMI	220,077	7,159.1	3.8	-3.50	15.77
ZIOP	4.13M	1,022.0	62.0		9.30
RGDO	823,961	522.4	44.2		1.24
TSLA	773,359	151.8	-9.6		184.62
BRCD	87,949	99.4	-2.1	20.75	11.70
NEWM	96,886	68.5	-5.1		21.20
FCX	635,574	60.8	-9.5	4.25	19.04
BCRX	16,529	30.3	2.6		11.70

Earnings Play

Sym...	\$
JPM	55.83
WFC	50.93
KBH	13.63
ARCP	9.09
KMI	40.69
CSX	33.63
LLTC	45.32
DAN	20.30
IHS	
BRCS	24.80

Daily Setups

- I don't spend much time scanning for Daily Chart Setups
- But I focus mostly on Intraday patterns
- A great daily chart with no catalyst is unlikely to move.

Pattern Scanning

- Scanning for Intraday patterns is very complex especially if we are scanning for patterns
- I have dozens of variations of scanners I've written to look for specific patterns including Flags, Wedges, Top & Bottom Reversals
- In general, I find it easier to look for strong stocks and then manually look for the pattern than to search for patterns.

Pattern Scanning



Min Criteria

- I trade stocks with a minimum of 500k volume, but prefer over 1 million
- I may trade lighter volume if it's really early in the day
- Stocks should be trading 2x average relative volume

Pre-Market Scanning

- I scan Pre-Market to create a watch list of stocks I'm going to trade.
- Sort by highest Pre-Market Volume and look at each chart.
- My pre-market scans are how I prepare my day.

Gappers and Earnings

- I scan for 4% gappers and look for stocks reporting earnings in the last 24hrs

Relative Volume Leaders

- We have to Scan for Stocks in Play
- These are stocks currently on High Vol
- Scan for relative volume leaders.
- These are going to be the stocks that are
IN PLAY

Relative Volume

Sorting options:
By Position in Day
By Relative Volume
By Total Volume

Relative Volume Leade... ×

Sym...	...	T...	5	↓D↑
BRG	39.1	1.1M	92.0	
SMSI	28.6	4.3M	1.7K	
HPP	14.1	3.5M	179	
SRNE	9.52	1.7M	213	
XON	11.1	4.5M	577	
NEWM	14.9	2.5M	954	
EHTH	7.99	1.0M	437	
UWTI	6.96	18M	176	
FNDF	44.2	1.7M	174	
GNC...	13.5	1.2M	78.0	
NLST	7.07	1.8M	11.3	
DBJP	9.22	1.2M	14.3	
ETRM	55.3	19M	659	
DWCH	19.2	1.2M	129	
ZIOP	48.4	35M	678	
FLML	35.8	8.0M	1.4K	
OIBR	6.42	5.9M	18.4	
FXCM	6.44	1.6M	139	
RGDO	30.3	7.9M	343	
BNCL	13.5	3.4M	29.6	

Momentum Scanners

- These scanners are simply looking for volume.
- Surging Up scanners pick up the heaviest relative vol in the market at any time.
- We then apply our Momentum Trading Strategy to these alerts.

Surging Scanners

Sorting by high
volume

Sy...	T...		5
MDLY	5.34	563K	1,666.2
ETRM	55.2	19M	1,272.2
FLML	35.7	8.0M	1,211.1
SMSI	28.5	4.3M	884.5
QTM	2.53	3.2M	811.9
NEWM	14.9	2.5M	692.5
VICL	2.21	835K	656.8
EHTH	7.96	1.0M	455.8

Flat Top Breakout Scanner

- I scan for stocks that have moved over 5% in the last 2 hours, and are consolidating in a 1.5% range in the last 30 minutes.
- They must be near the top of the daily range
- These Criteria are all available in Trade-Ideas
- Flat Bottoms same but in reverse
- Scanners will be provided to Master Course Students (www.daytradewarrior.com/master-course-scanners/)

Flat Top Breakouts

Multi-Strategy Window							
Time	Sym...	...	T...	5	Strategy Name	Beta	^
2:42	HALO	2.73	3.5M	113	Flat Top	1.97	
2:35	SCCO	5.56	6.7M	610	Flat Top	0.62	
2:35	SCCO	5.56	6.7M	597	Flat Top	0.62	
2:35	SCCO	5.56	6.7M	590	Flat Top	0.62	
2:35	SCCO	5.56	6.7M	581	Flat Top	0.62	
2:35	SCCO	5.55	6.7M	572	Flat Top	0.62	
2:35	SCCO	5.55	6.7M	560	Flat Top	0.62	
2:33	AEGR	3.37	1.4M	761	Flat Top	-0.3	
2:33	AEGR	3.37	1.4M	725	Flat Top	-0.3	

Top & Bottom Reversals

- Look for stocks hitting new lows
- Look for at least 5 consecutive red 5min candles.
- This tells us the rubber band is getting stretched!!
- Begin waiting for reversal indicator
- 1st 5min candle to make a new high
- Extension off of VWAP.

Reversal Scanners

Notice the RSI column
and
Notice the 5
Consecutive Candles

Time	Sym...	...	T...	...	5	RSI 5	...	5
11:40	ABC	1.78	816K	296.2	73.6	6		
11:39	ABC	1.73	792K	218.5	72.3	5		
11:37	ABC	1.70	770K	216.8	71.2	5		
11:29	PRU	1.56	1.1M	227.6	24.9	-6		
11:20	PRU	1.46	956K	246.4	26.8	-5		
11:19	LLTC	4.63	2.5M	289.0	37.7	-5		
11:19	PRU	1.45	938K	295.7	27.6	-4		
11:14	VIAB	3.03	2.4M	353.7	15.8	-4		
11:12	VIAB	3.00	2.3M	440.5	16.9	-4		
11:03	XON	6.02	962K	1,209.6	85.9	4		
10:12	FLML	26.98	966K	2,934.9	9.6	-8		
10:10	STJ	5.14	833K	716.7	85.4	4		
10:08	FLML	27.20	877K	2,218.5	10.9	-7		
10:08	FLML	27.22	875K	2,168.0	11.4	-7		
10:08	FLML	26.70	845K	1,487.3	12.0	-7		
10:08	FLML	26.68	842K	1,426.8	12.8	-7		
10:05	FLML	27.13	792K	10,082	13.2	-7		
10:04	FLML	27.93	780K	9,826.6	14.8	-6		

Volume Spike Scanners

- I Scan for Volume Spike
- Sometimes volume spikes can alert me to a move before news is announced
- HFT traders can cause a squeeze when buying begins to take place
- These scanners simply look for 1000x relative volume in a 1min period.

Benzinga Breaking News

- I use the Benzinga News Service for breaking news
- This alerts me to stocks that could be in play due to News of various types

Lets make a Scanner

- Watch me make a basic scanner in Trade-Ideas

Extras & Links

- Email me with questions
ross@daytradewarrior.com



Day Trade Warrior

Chapter 8. Trade
Management & Your
Psychological Game

Day Trading Psychology

- The biggest obstacle to trading success for most traders are emotions
- It is extremely difficult to become comfortable experiencing losses.
- Think of a home builder, and every 3 weeks somebody comes along and knocks down half the house.
- You have to get used to getting knocked down and rebuilding.

Getting Knocked Down

- Successful traders have learned how to recover from getting knocked down without losing composure
- Losing Money is part of the job for us.
- Every day we must achieve peak performance and maintain a clear state of mind so we can trade out of losses without losing control.

Trying to Bounce Back

- When we take a few losses the natural instinct is trying to recover those losses quickly.
- This instinct is actually very dangerous. We cannot force the market or force trades. We must wait for trade so come to us.
- Whether we are red or green for the week/month, we should trade the same strategy.
- We may increase risk while we are trading well, but not when we are trading poorly.

When do you get Aggressive?

- I found I used to get extremely aggressive any day that I hit my daily goal, then lost it and went red on the day.
- I would spend the rest of the day grasping at straws, taking trades on anything moving. Often times these days would end very badly for me as I kept losing and kept getting more frustrated.

Risk of Overtrading

- Over Trading can be extremely risky.
- Most traders that are extreme over traders are unable to achieve success.
- You must take strictly calculated trades and this typically results in only a few trades each day, rarely more than 20.

When is my best trading?

- My best trading is from 9:30am-10am.
- If I haven't performed well during this time frame, odds are, the next time I will perform well will be tomorrow.
- I can't force aggressive trading outside my peak performance window.

Discipline is a Practice

- Discipline is a practice and it's something you have to always work on.
- You don't achieve a level of discipline and then you can stop working on it.
- Everyday you have to exercise your ability to maintain composure.

How to improve discipline?

- I have a few methods for improving my ability to maintain focus and discipline throughout the day.
- 1. Meditation. I meditate every morning before the market opens. This practice by itself requires discipline to maintain.
- 2. Exercise. Again, it requires discipline to maintain a workout regimen.
- Practicing discipline in other areas of your life will improve your ability to maintain composure as a trader.

Holding Losers and Selling winners

- Why do we do this?!?
- This is a very common pattern among new traders. You have small winners, and big losers.
- You hold the losers too long and sell the winners too soon.
- How do we change this pattern!

Market Psychology

- The Winners Walk away
- The Losers Keep Fighting it Out
- Trading 9:30-11am is the easiest time to make money.
- Trading out of frustration to make back losses is a recipe for disaster.

Trade Management & Your Emotional Game

- Learn to be okay with being wrong.
- Trade Management is very much combined with Risk Management
- We often change our risk parameters mid-trade to accommodate a losing position
- That is a BAD HABIT

When to Walk Away

- At this point I try to get a solid winner on my first or second trades of the day.
- Trading in the morning is always easiest, so if I can't get a winner in the morning my odds of getting wins mid-day or afternoon decrease exponentially.
- Sometimes the best chance to get the next win is tomorrow morning!

Appropriate Sizing

- You must size according to a pre-determined level of risk. If you are willing to risk \$1k on a trade, you can either take 10k shares with a 10 cent stop or 2k shares with a 50 cent stop.
- So you have to ask which stop is more realistic and is appropriate for the chart.
- If you are suddenly down, you have to stick with the plan and sell.

Don't Ignore Exit Indicators!

- We *MUST* follow exit indicators. Hoping a stock will turn around is a horrible habit. We must accept we were wrong and move on.

Exit Indicators

- 5min Candle Making a New Low
- Breakout above resistance line and then close back inside resistance line.
- Breakout price occurs and no volume comes with it
- An Extension Bar forces us to exit.

Extension Bars

- Extension Bars are extremely large candles, they are Spikes! They are typically going to be 25 cent candles at a min, and as large as 1 or 2 dollars.
- We have to sell into this spikes because we are getting too over extended.

Extension Bar Example



What is the Trend

- I buy stocks that are TRENDING. I don't buy during consolidation patterns.
- We buy Breakouts. Therefore, we MUST see the trend continue. A 5min candle making a new low indicates trend may be reversing.
- Occasionally I will hold to the low of the Bull Flag.

Where did the Volume Go?

- If we see Volume Declining, that's my exit signal!
- I don't want to hold through low volume consolidation.
- The strong volume is what CONFIRMS the breakout is happening.

Light Volume Pull Back Okay



No Volume = No Good



Scaling out Losers

- If I am in a Breakout Trade with a full size position and it seems the trade may not be working as planned, I may sell half, for a small loss or a small profit, simply to reduce my EXPOSURE

Entry Indicators

- We have one of our Go To Setups developing and preparing for a breakout
- We can set a reasonable stop with a 2:1 potential profit loss ratio.
- Ideally, we can take a $\frac{1}{2}$ size position leading up to the breakout with the intention of doubling as more volume comes in.

Scaling into Winners

- On a winning trade that I have a $\frac{1}{2}$ size or even full size position, if I'm confident the stock is about to breakout, or continue breaking out, I will add more size.
- Add to Winners!
- I adjust my stop to the low of the last 5min candle, possible the last 1min candle.
- I want to add more shares but keep relatively the same amount of risk on the position.

Scaling into Breakouts

- Often times as we are approaching a strong breakout, I will add a $\frac{1}{2}$ size position with the intention of doubling if the breakout occurs
- I do this for 2 reasons
 - Sometimes on the breakout I can't get filled
 - I can have a larger position with better price average and confirmed breakout

Follow the Volume!

- If the volume dries up we need to accept that this breakout isn't ready and scale out of $\frac{1}{2}$ or our position or reduce risk, or sell the whole position and wait for a better entry's

Scaling out of Winners

- I use the same exit indicators to scale out of winners
 - 5min candle makes a new low
 - Extension bars
 - Volume dries up
- Additionally
 - I often sell half and adjust my stop to breakeven to guarantee a winning trade.
 - This puts me in the drivers seat.
 - The remaining $\frac{1}{2}$ size I will use a trailing stop

Trailing Stops

- I simply set a stop at the low of the last 5min candle and keep adjusting it every time a new 5min candle closes.
- This is how I trail my winners up.

Trailing Stop Example



Extras & Links

- Email me with questions
ross@daytradewarrior.com