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There is a substantial risk of loss associated with trading Derivatives . Losses can and will occur. My methods will not ensure profits

Saturday, January 26, 2013

Scratch and Win

"Cut your losses and let your profits run"

You might have read this good old market wisdom a thousand times. In reality it is easier said than done, especially in day trading. In day trading arena trying to trend trade is a recipe for disaster.

Most of the time markets make narrow intraday moves in both directions. Intraday trends will not sustain for long. If we patiently "let the profits run", we are going to get stopped out regularly. Most of our initial gains will turn into losses.

The usual practice among most of the traders is that they decide on a target and a hard stop. Once a trade is entered they wait till one or the other is hit. In my opinion this method is not going to work. We may require a more active trade management to win.

Let your profits run only during strong established trends where you can trail your stops behind the flip zones. When the market is not in a strong established trend, take small quick profits. Every trade should start as scalp to the FTA ([First Trouble Area](#)). Once you feel the initial edge is gone, that is when the market fails to break the FTA, exit immediately without hesitation. Never wait for the market to hit your hard stop.

Do not wait till the market proves that you are wrong. Get out if the market is not proving that you are right. This requires a different approach. You may need to scratch a lot of trades.

Trade for extremely consistent gains with "Tiny" losses rather than for occasional "Home Runs" with a lot of "Small" losses

Posted by [SMART Trader](#) at 12:59 PM



2 comments:



[Dharmesh](#) June 28, 2014 at 8:42 PM

In a strong established trend what you suggest to carry trail stop? At flip zone or at msp?

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[SMART Trader](#) June 28, 2014 at 10:12 PM

In a very strong trend I will exit if Flip breaks

ST

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