

## Title:

Day Trading Indicators and Indicator Trading

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1465

## Summary:

Did you start day trading after buying a book on technical analysis, and getting a charting program - probably a free one that you found online - in order to save money? While reading your book you learned about trading indicators which could 'predict' price movement, and what do you know, the 'best' indicators were actually included in your free charting program - let the games begin.

## Keywords:

day trading, indicator trading, day trading indicators

## Article Body:

Did You Begin Day Trading As An Indicator Only Trader?

Did you start day trading after buying a book on technical analysis, and getting a charting program - probably a free one that you found online - in order to save money? While reading your book you learned about trading indicators which could 'predict' price movement, and what do you know, the 'best' indicators were actually included in your free charting program - let the games begin.

Now that you have all the day trading tools that are necessary, the book for education AND the free charting program with those 'best' day trading indicators, you now need a day trading plan so you can decide which ones of those 'magic' day trading indicators you are supposed to use. This really is a great book, besides telling you how to day trade using indicators to 'predict' price - it also said that you need a trading plan to day trade.

So what should this plan be? The book told you about trend following using an indicator called macd, and it also told you how it was possible to pick the top or bottoms using an indicator called stochastic; my guess is that you picked the stochastic indicator to start your day trading - this must be the 'best of the best' since this indicator was going to ensure you of entering your trades with the 'best' price. Amazing, simply amazing how easy this day trading stuff really is. In fact, why even bother taking the trades, each time your indicators give a signal - just call up your broker and tell him to stick \$100 in your account.

My book was Technical Analysis of the Futures Markets. My charting program was TradeStation with an eSignal fm receiver; that was the one that if you hung the antennae wires just right, and you put enough foil on the tips, you might even get quotes. I had sold a business before I started trading so I did have some capital - isn't that how everyone gets into trading, you either sell a business or you lose your job? My indicator was the macd as I had decided that I was going to be a 'trend follower' instead of a 'top-bottom picker'. I also decided that I was going to be 'extra' clever, if one indicator was good than two indicators must be better, so I added a 20 period moving average. My first trade was a winner, then after many months of extensive therapy, I was finally able to forget the next twelve months - ahhh the memories &#61514;

### Learning To Day Trading - The Learning Progression

Beginning to day trade, or learning to day trade, as an indicator trader is very typical. This is also logical when you consider - HOW are you supposed to initially learn how to trade? Trading indicators are available to anyone who has a charting program, and simply using line crosses, or histogram color changes, provide 'easy' signals to understand. If you will also take the time to learn the arithmetic behind your indicators, as well as learning what each indicator is specifically intended to do, not only is this a logical way to begin, it is also a good 'step' in your learning progression - understanding the WHAT you are doing, instead of attempting to create 'canned' indicator only trading systems, without any regard as to WHY you are trading this way.

This does become one of the 'sticking' points in your learning progression, as you come to find out that you are unable to profitably trade indicators as signals only - now what? Now what - you 'can't' develop your own indicators, so you start doing google searches for day trading indicators and start buying your 'collection' - they don't 'work' either. Now what - you buy a mechanical trading system - what does hypothetical results may not be indicative of real trading or future results mean? Now what - you start subscribing to signal services OR you start joining the 'latest and greatest' chat room - am I really the only person using the signals who isn't profitable?

Now what - you never learn how to trade.

I began trading as an indicator trader, and I did try to learn everything that I could about the various indicators, as well as trying to combine indicators that were consistent with how I wanted to trade - I just could never develop a mechanical day trading system from what was available to me. I read a couple more books that didn't really help me, so I then started looking for someone who

could teach me. From what I now know about gurus -vs- teachers, I am very lucky that I got involved with a money manager-trader who taught me a tremendous amount, but I still couldn't get profitable, in part because there was also 'pressure' to learn how to trade using real money. As well, any discussions or thoughts about trading psychology and the issues involved, especially to beginning traders, was non-existent.

Now what - learning but losing - I stopped trading.

Learning to trading using real money, and 'scoffing' at trading psychology as simply individual weakness, really was something that I now regard as misinformation. I always mention this as I now feel that this cost me as much as a year of time, and was very close to costing me my trading future, as stopped trading was VERY close to quitting trading. How can't trading psychology be real to a beginner, when you consider that you are risking losing money at a very fast pace as a day trader, and when you further consider that you are also doing this when you really don't know what you are doing - this is NOT by definition being weak. And if trading psychology is real, how are you going to learn to make 'good' trading habits with real money while you are fighting the implications?

Now what - not trading and not ready [quite] to quit - still studying and searching.

Probably the single most important 'thing' that got me to a next step in learning how to trade, was the concept of a trading setup, and that a setup and a signal were not the same. This was extremely meaningful to me, as it also led to an understanding of how to better use trading indicators for the information that they can provide, but not to use them as trading signals - in essence I began learning about trading method where discretion could be consistently applied -vs- trading system that was mechanical and arithmetic rules.

Traders who are indicator only traders, are also what I refer to right side only traders, that is they are always looking at the right side of their charts for an indicator signal. BUT what about the left side of the chart, what about price and patterns, what about market conditions - WHAT about the relevant 'things' that are 'moving' price, instead of indicators only as an arithmetic derivative of price, and thus, one that is dependant on the time frame that you have chosen to trade from? These 'thoughts', along with the concept of trade setup, became instrumental in the development of a trading method, and how I came to turning my trading around.

When I think about the steps in my learning progression - I would list them as follows:

2/95 - 6/96

indicators only

teaching service that included signals

learning to trading with real money and trading psychology issues

stop trading

6/96 - 3/97

understanding of trading psychology issues

learning about trading setups concept

trading method -vs- trading system

trade setup - trade trigger are not the same

method development

understand the importance of the left side of the chart and what is happening

'across' the chart

related trading setups and how/when they triggered

indicators + pattern

indicators + pattern + price

indicators + pattern + price + market conditions

3/97 - 11/97

able to paper trade profitably

able to real money trade profitably

able to trade for a living

Indicator Only Day Trader - Setup Including Indicators Method Day Trader

I have attempted to discuss the way I started day trading, and the way I think many-most traders typically begin. Along with this, I have pointed various issues and problems that I had - those regarding how to learn to trade, and then progressing into a profitable trader. My experiences have been both personal, as well as those of many traders that I have worked with over the last 8-9 years through Tactical Trading - that a very large number of these problems are due to day trading only with indicators, the specific indicators used, along with trying to turn these indicators into a mechanical trading system. This is not to say that this can't be done - I simply couldn't do it. However, I would strongly suggest that anyone who is in the early stages of day trading, or struggling with their day trading, consider these things that have been discussed.