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HOW TO START DAY TRADING A FUNDED ACCOUNT

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Chapter 1

INTRODUCTION

The world of financial trading is full of misconceptions, uninformed opinions, stereotypes and urban myths. Hollywood movies, news outlets and even politicians have all done their part to distort the general public's idea of what trading is and what traders really do.

What actually is Day Trading?

One of the most common misconceptions is about the very definition of 'Day Trading'. Most people have only a vague idea of what day trading really is and what a typical day looks like for a day trader. So let's start by clarifying that.
Day trading is the process of buying and selling the same security multiple times, within the same day with the objective of making a profit. The trader would then close all positions at the end of each trading day leaving him/her with no overnight exposure.

Make no mistakes, Day Trading is nothing like gambling or playing the lottery. Not even close.

You thought it was easy?
Think again.

Traders around the world - both institutional and retail - study, learn and work each day to find new and more accurate ways of calculating the probability of whether the price of a security will move up or down

during the upcoming few hours.
Decisions are seldom taken based on the throw of a die or human emotions.

Day Trading is both "the art and the science of calculating and managing probabilities, potentials and risk in order to make a profit".

A day trader's job is to calculate the probabilities of a movement in price in a certain direction in the market or in a particular security.

Day trading is not easy.

In the real world, Day Trading is just like any other job as difficulty goes. It’s neither easy nor hard if you know what you’re doing, if you focus and if you apply yourself to it; it’s a different story for those who fail to pay day trading the respect it deserves.

Day Trading requires discipline, patience, self-control and emotional stability.

If you think that this business only requires you to get up in the morning, open your brokerage account and choose a few trades that pick your fancy, I warn you now, you might end up burning many accounts before closing a trading year with a single dollar in profit.

Mens sana in corpore sano.

(Latin for “Healthy mind in a healthy body”)

In our opinion, your trading career is a reflection of your lifestyle and your results are influenced by your character. If you choose to go to bed late to go out partying or if you don't take care of your body and become lazy and impatient, well, then that's how your trading will also look. You’ll likely be tired and will struggle to focus on your trading. Being tired, you’ll also be more likely to make impulsive decisions out of impatience and to let your emotion impair your judgment.

On the other hand, however, if you sleep properly, work out, take care of your body, and nourish it with healthy food. As well as learn to recognize, accept, and control your emotions and restrain yourself in stressful situations. Your new trading career will have a much higher probability of becoming successful.

Of course, that's not to say these changes alone can guarantee success but they will surely help to gain the right mindset and we cannot stress enough the importance of that.

Day Trading is a serious professional career worthy of respect and one that requires diligence, patience, self-control, and an incredible ability to manage one's emotions and stress levels long before needing to manage any trading risk.

Why Day Trading? What are the advantages?

From a day trader's perspective, day trading presents many advantages. One of the main advantages of day trading is that the feedback on your trading performance is immediate, compared to other trading methods. Another is the ability to close your position at or before the end of the trading day; this way the trader is not left with open positions at night and he's not exposed to changes beyond his control.

Another reason is that day traders can be profitable and make good money whether prices go up or go down as they can trade the direction of the market on any given day. Not bad, huh?

If the market trend is up on a given day, for example, they will trade more longs and if the market trades down they will trade more shorts. Furthermore, Day Trading also offers a steeper learning curve, as it gives constant daily feedback, compared to long-term investments (whose results can only be obtained, at best, a year ahead of the initial investment).

The amount of opportunities in day trading is much larger than that in swing trading or long-term investments.

Supply, demand and price.

It's often said that in a free market price is set by and dependent on supply and demand, but what does that mean?

Put simply, it means that price is the direct result of the interaction and dealing between buyers and sellers. When entering the market, sellers will demand the lowest price they are willing to accept to sell a certain security. Buyers, on the other hand, will enter the market offering the highest price they are willing to pay to buy it. Price is therefore determined by the "agreed meeting point" between buyers and sellers.

"Well then", you might ask, "who are all these buyers and sellers? Who actually are the players in financial markets?"
Let's take a look.

Market players: Retail and Institution

'Retail traders' *is the term that refers to individual traders, who buy or sell securities for their own personal accounts may that be from an office or from their home.*

One of the advantages of being a retail trader is that you can trade what you want, how you want and as much as you want without anyone telling you what to do with your positions. Decisions and choices are all on you, buddy!

Normally, retail traders have a much smaller amount of trading dollars in their accounts. The positions they open are much smaller and this presents another “advantage”: they are much less likely to affect the price of a security for lack of sufficient capital in their account. In other words, they couldn’t even if they wanted to.

However, many retail traders have common problems too; primarily misconceptions and lack of discipline.

It’s way too easy for beginners to enter into a storm of emotions, which is often accompanied by breaking the rules of their own trading plan, overtrading, losing control of their positions and a lack of ability to realize profits. They tend to get overly greedy and not close positions when the price reaches the profit target or they remain stuck in losing trades like flies on poop not being able to recognize and accept a loss.

'Institutional traders', ***on the other hand, buy and sell stocks for accounts they manage for a group or an institution.***

There are several types of securities (such as forwards, swaps, etc.) that might not be available to retail traders simply because such tradeable items require huge funding and are mostly successful in long-term investments.

Because of the large volume, institutional traders can greatly influence the share price.

Sometimes they may split trades between different brokers or execute them over a longer period of time so as not to affect the price and thus their flexibility to exit and enter the market remains much more limited than that of retail traders.

Part of the payoff that Institutional traders enjoy, however, is the discount they receive on due commissions, priority trading and other benefits offered to them because of the sheer size of their capital and their investments.

Keep in mind: *Something important to know is that institutional traders have limited involvement when it comes to investing in small-cap stocks (stocks with a market cap below $2 billion).*

The U.S. stock market is the largest in the world and continues to be the deepest, most liquid and most efficient of all other markets with nearly 6,000 companies trading on the NYSE and NASDAQ exchanges alone.

The US has one of the most diversified markets in the world. The top sectors, Technology and Financials, only make up 34% of the overall market. The US stock market is host to a variety of promising companies to choose from and is one of the most stable markets when it comes to trading. Investing in US stock will allow you to get access to some of the best global companies such as Facebook, Apple, Google, Amazon, and various others.

The U.S. stock market is where everybody is and it's where the money is at. It's a no-brainer, if you ask us.

Chapter 2

STOCK PICKING

How do I choose the right stock to trade?

Deciding what stock to trade on a particular day is among the most important things for a trader. For any beginner, it’s therefore among the most important things to learn.

A good trader may have an excellent trading plan and have great potential but without the ability to choose the right stock, chances are he or she is doomed to eventually fail.

What you need to always keep in mind when choosing a “stock picking” is that you need to see momentum and volatility.

When choosing a stock, you really want to see volume, which indicates market interest and volatility, which can allow price movement and profitable trades.

The rule of thumb when stock picking is to give priority to stock of companies that have just released results, made announcements or have been the center of important news - as well as stock of companies who are expected to do any of that imminently.

Some of the news that can alter the price of a stock are periodic and are released at certain intervals of time while others are “a little less expected”, shall we say.
Major movements in price can often be caused by news such as

1. Earnings report.
2. Guidance raised.
3. FDA approval.
4. FDA decline.
5. Company Investigation.

6. Analyst upgrade.
7. Analyst downgrade.
8. Company Partnership.
9. Introduction of a new product or service.
10. Stock gap up/down 3% with increased pre-market volume.

You can watch and absorb all this news almost daily during pre-market hours while you build yourself a watch list for the day. Daily news can create a rollercoaster in price movements due to the fact that there are so many traders acting on them at the same time.

Let’s take a look at an example just to see how this actually works.
Let’s say, for example, that just before the market opens, news is released regarding a large pharmaceutical firm which has just obtained FDA approval to start distributing a new drug to the market. This news, it’s fair to say, is likely to cause a rise in the price of the firm’s stock as traders will perceive it as a sign of higher profit and good work on the part of the directors.

A company that has released excellent quarterly reports, received a rating upgrade from a senior analyst and is also currently trading at a 3% gap up will probably be on most traders' screens; traders who, just like you, expect that the stock price will go up.

The number of shares traded just after or before important news can be huge and prices can easily become ultra-volatile.

These are some of the criteria that we think are very important for a beginner trader to keep in mind when stock picking:

• The stock price should be $10 or more.
• The average volume in the last 30 days should be at least a million shares.
• The ATR of the stock should be above 0.75 cents.
• The stock should be accompanied by "hot news".
• The stock should gap up or down at least 3% in the pre-market.

Following these criteria will maximize your trading opportunities by helping you choose stocks with the highest probabilities of volume, momentum and volatility.

Chapter 3

STRATEGIES

Now that we have seen what day trading really is, who the market players are and the importance of choosing the right stock, let's take a look at some of the most popular techniques and strategies that traders adopt.

What Is a Trading Strategy?

A trading strategy is a method used to buy or sell in the stock market while making a profit. It's very often an algorithm of pre-defined rules and criteria based on technical analysis and past trading patterns.

Be careful, mistakes are made every day by new traders entering the market under the premise of the "Holy Grail of the Perfect Strategies" on social media.

Your trading strategy must be built or chosen around you, your objective, your investment, your capital, your character and your own risk tolerance. You can hardly do a “copy and paste” with someone else’s strategy and remember the fact that a certain strategy works with another trader, doesn’t necessarily mean that it will work for you too.

Let's take the example of a trader who is just starting out. Let’s just say he’s a young man who has just finished university and has excelled in his studies.

Let’s imagine this new trader is of the reflective type and likes to ponder a little longer before making a decision, and likes to evaluate all the pros and cons of any given situation. He has thought long and hard before answering each question of his exam and since that’s part of his character, ideally, he should have the possibility to do the same when trading.

Let’s say that because he’s only just starting out, our young trader does not yet know of any reliable source of information and trading education. He comes across someone on Instagram who seems to offer the “Holy Grail of Trading”, a strategy with a success rate of 70% and daily profits of up to $5000.

Let’s also imagine that this type of strategy forces whoever uses it to scalp the price of a security and that, therefore, requires confidence and quick thinking.
(scalping is a trading method that sees a trader entering and exiting positions incredibly rapidly, sometimes in a matter of seconds).

Well, how successful do you think this new trader is going to be if he chooses to use that strategy? We think “not much”.

His character is not suitable for this type of strategy which could work very well and be profitable for another trader and not necessarily for him too.

The important thing to consider here is that building a strategy comes after months of trial and error. Any new trader should start his trading journey by examining and trying out each type of strategy. He should then try to discover and understand which strategy best fits his character and how to make it his own.

Remember, this is true for both long and short-term trading strategies.
Let's take a look together at the most popular techniques and strategies among traders.

3 Types of Strategiess

Momentum Strategies

Momentum trading, one of the classics among traders, is a relatively simple method to understand and learn even for someone who's just starting out.

The idea of momentum trading is to take advantage of a strong movement created in the stock due to hot news in the underlined company or news related to the stock market or the economy in general that can affect the company indirectly.

"The philosophy behind this method is "buy high and sell higher".

Momentum traders try to take advantage of market volatility by taking short-term positions when the stock price is rising and selling them as soon as they show signs of weakness.

This method has really good potential for high profit in a short period of time.

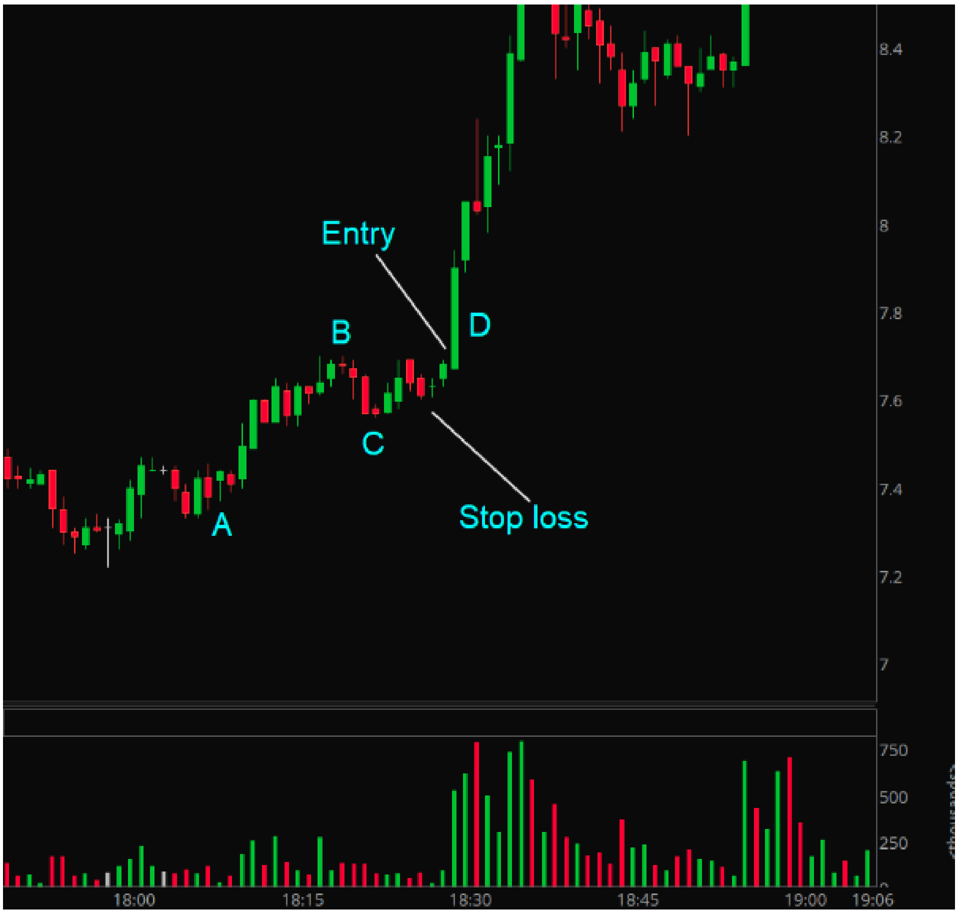
Its simplicity allows even a newbie to clearly understand expectations and to be able to set both take profit and stop loss orders.

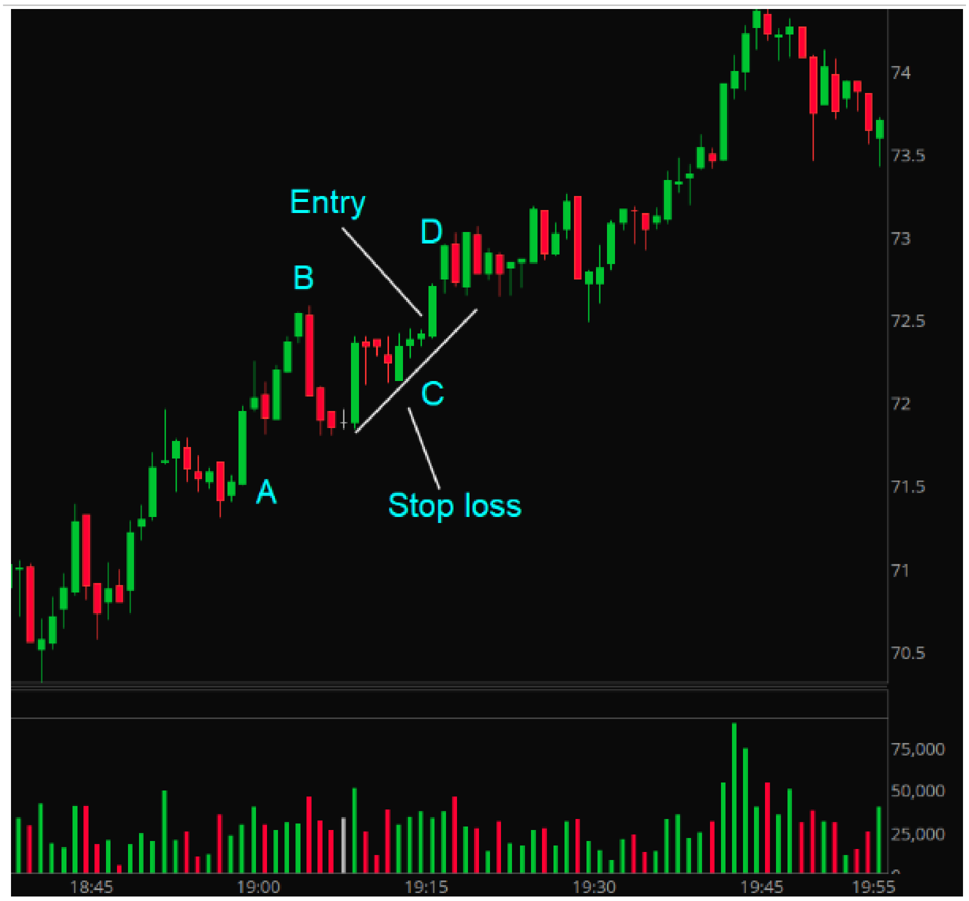
ABCD pattern

The ABCD Pattern is the most basic and easiest pattern to trade when it comes to momentum trading. Thanks to its simplicity, you can clearly see and understand the price movement on the chart.

When using this strategy, a trader would begin by looking for a price build-up with a succession of higher highs and higher lows. Once he finds one, the traders would then wait for a new higher low (Point A) and will follow the price until it reaches a new higher high (Point B).

When this happens. The trader will consider the pattern complete, will wait for the next higher low (Point C) and if the price reverses, the trader will open his bullish position just above the previous high (Point D). Traditionally, a stop-loss order is set at the level of the previous low.


Entry
B
D
C
A
Stop loss
8.4
8.2
8
7.8
7.6
7.4
7.2
7
750
500
250
18:00
18:15
18:30
18:45
19:00
19:06


Entry
D
B
C
A
Stop loss
74
73.5
73
72.5
72
71.5
71
70.5
75,000
50,000
25,000
18:45
19:00
19:15
19:30
19:45
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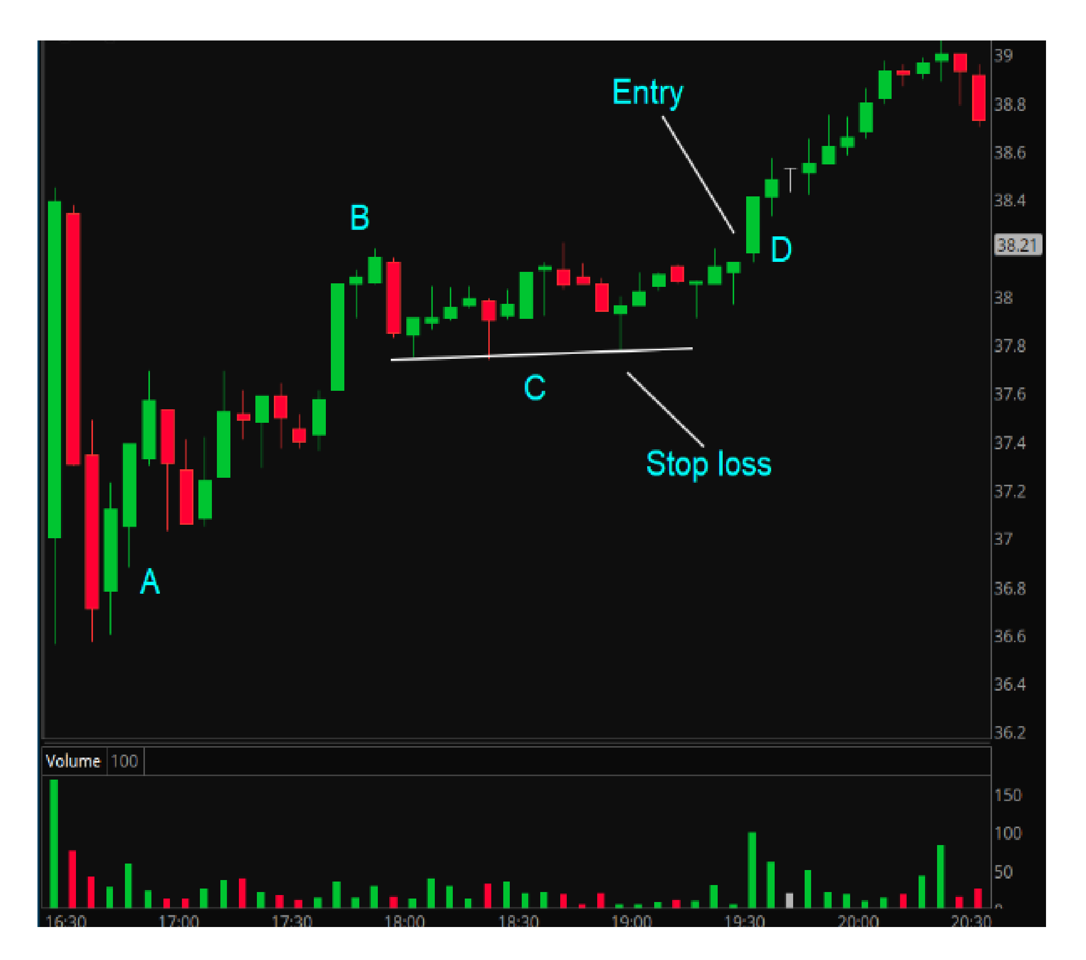


Entry Criteria

1. There must not be a resistance level that can prevent the stock from moving higher.
2. The first move up must be accompanied by a high volume.
3. The trading volume in the consolidation must be significantly lower than the volume from the first move up.
4. You have to see at least two "higher highs" at the consolidation
5. There must be hot news related to the stock.

6. The entry will be on the first candle that breaks the “lower low” at the consolidation.
7. The stop will be at the low of the most recent “higher high” at the consolidation.
8. The profit target has to be at least 2:1 the size of the stop loss.

Flags

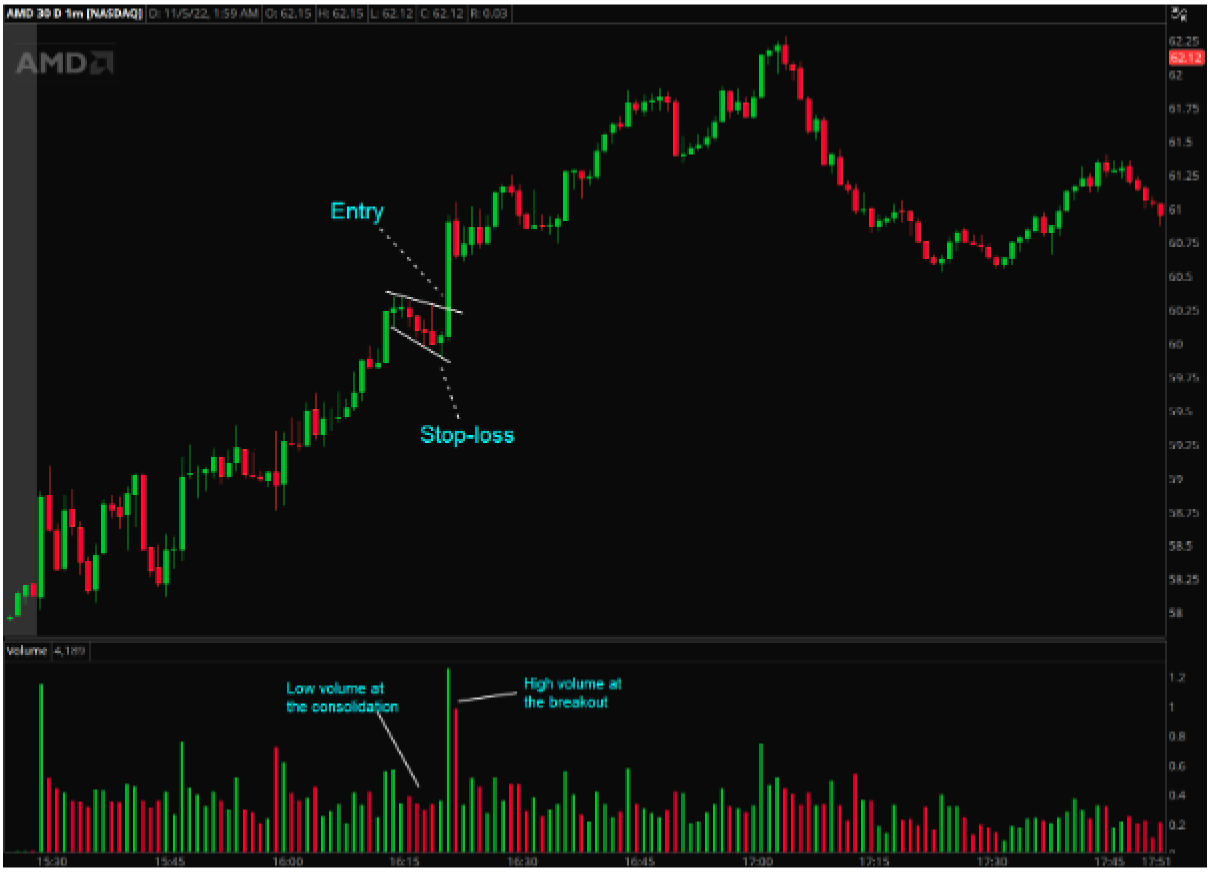
The bull flag pattern got its name because it resembles a flag on a pole.

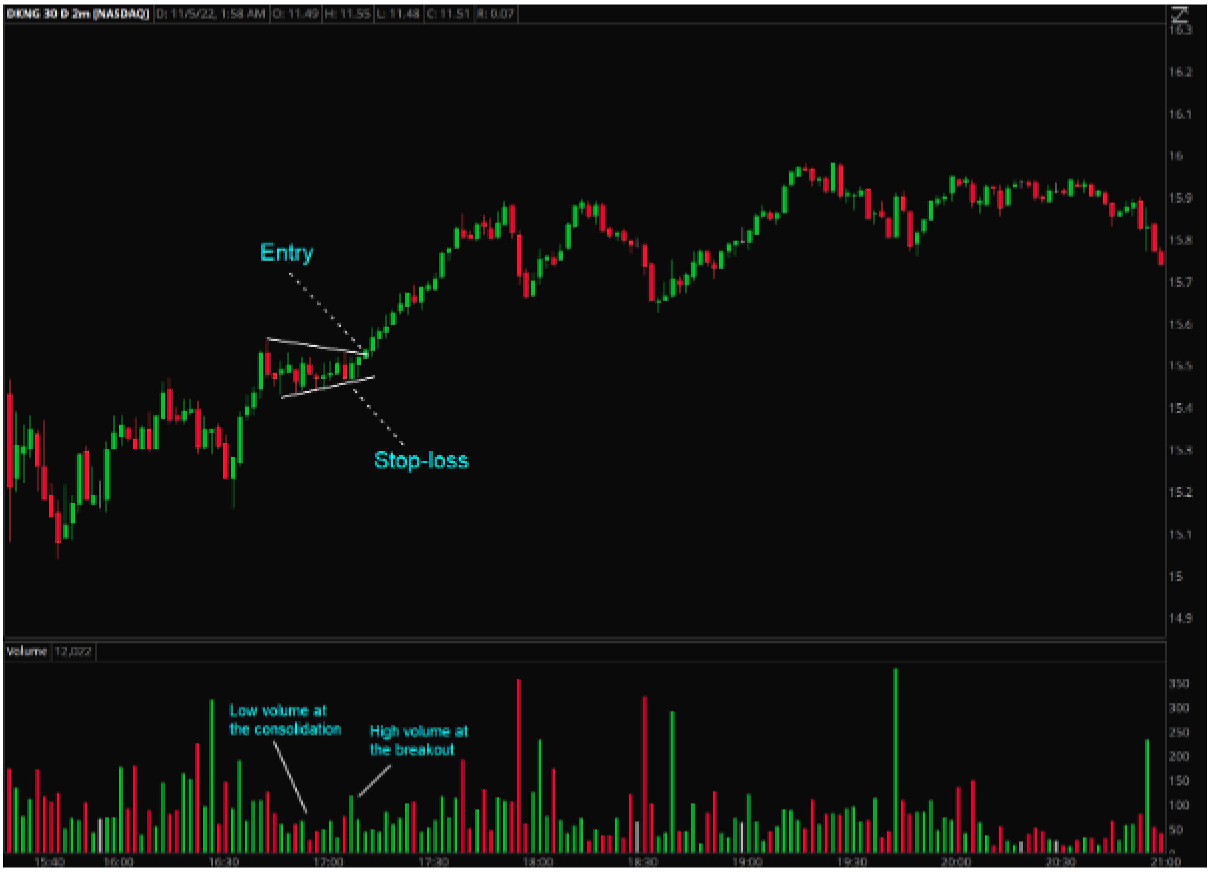
The stock history shows a sharp rise which is the flag pole followed by a series of small candles moving sideways. Traders call this sideways move a “consolidation”.

Consolidation means that after the stock has found resistance, the buyers partially or fully, take their profits out of the market but the stock is strong enough not to fall significantly down and it remains in the upper range of its previous movement.

One of the main things to look for in this pattern is volume.

A large volume entered after the hack, increases the likelihood that the setup will succeed. It is very important to find the right point to enter and know how to wait patiently until it happens. One of the mistakes new traders often make is that they will try to enter the trade earlier to reduce their stop. In reality, the pattern might not start at all and the trader would end up losing on a trade that was not part of his trading plan in the first place.




Entry
Stop-loss
Low volume at
the consolidation
High volume at
the breakout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Low volume at
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Entry Criteria

1. There must not be a resistance level that can prevent the stock from moving higher.
2. The first move up must be accompanied by a high volume.
3. The trading volume in the consolidation must be significantly lower than the volume from the first move up.
4. The consolidation must be at least two candles.

5. There must be hot news regarding the stock.
6. The entry will be on the first candle that makes a new high.
7. The stop will be at the low of the consolidation.
8. The profit target has to be at least 2:1 the size of the stop loss.

Trend following Strategies

Trend following or trend trading is a trading strategy that is based on the assumption that price trends tend to endure.

For this strategy we want to see the price reach higher highs, this shows that although the price is consolidating and falling a little, the trend is to the upside.

There are several methods to trade this strategy but we will focus on one method, very accurate and popular among stock market traders

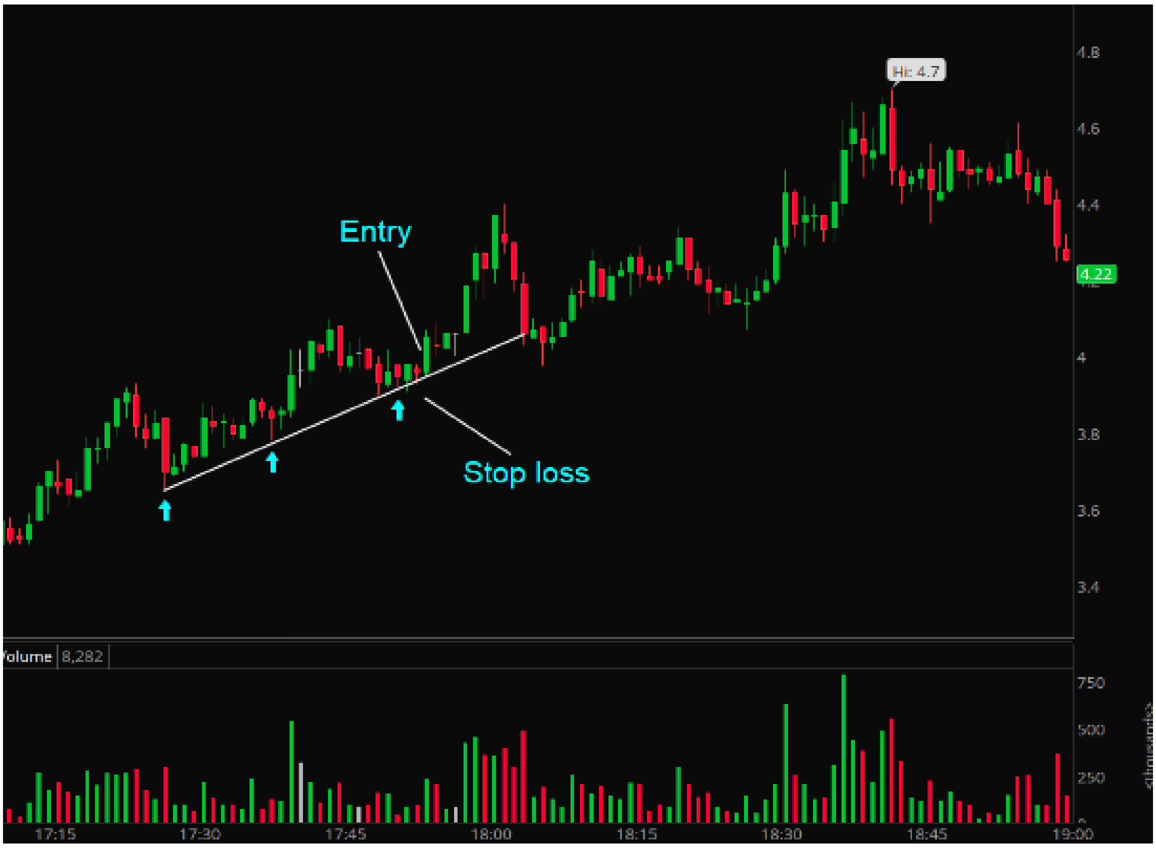
Trendline bounce

Trendlines are one of the simplest, yet most powerful tools traders use.

A trendline is a line drawn over pivot highs to show the direction of the price, the angle of ascent, the strength of the move and the relative strength of the trend.

The more "higher highs" a trendline goes through, the stronger the trendline itself because it becomes more recognizable to more traders.


Entry
Stop loss
Volume 14,069,924


Hi: 4.7
Entry
Stop loss
Volume 8,282

Entry Criteria

1. Establish current price trends.
2. Draw a tre uch the trendline for the third time.
3. Enter the trade in the direction of the trend when the stock has confirmed that it can hold the level of the trendline.
4. Place a stop-loss order under the new "higher high".
5. Set a take-profit order at least 2:1 the size of the stop loss.

Trend Reversal Strategies

A trend reversal occurs when the direction of a stock is changing and moves back in the opposite direction.

Reversals often occur in intraday trading and happen rather quickly.
A reversal in most cases happens when the stock reaches an important price area. A reversal occurs after a stock price increases to the point of reaching an important price level.

Ideally, for the pattern to be confirmed, what we would like to see is a price struggling to sustain and break through the new level and starting to concede to selling pressure due to profit-taking and market exits.

One of the advantages of reversal strategies is that they provide a clear indication of where to set the stop-loss (in most cases, this is above the daily high and above a strong resistance level).
If the price reaches our stop-loss it means the pattern has failed to hold the level.

Double Top

A double top is a technical reversal pattern formed after a stock reaches an important price level twice in a row but fails to break it.

Confirmation happens as soon as the stock price drops below the higher high price made while trying to break out a second time.

It is a must to be patient and identify the critical support level to confirm the identity of a double top.

The stronger the level that price is trying to breach, the greater the strategy's chances of success; a weekly resistance level, for example, is considered much stronger than those on a smaller timescale.


1st top
2nd top
Weekly resistance level
$16.96
A break of the
recent higher high
Volume 15,690
17.05
17
16.95
16.9
16.85
16.8
16.75
16.7
16.65
16.6
16.55
16.5
16.45
16.4
200
100
19:15
19:30
19:45
20:00
20:15
20:30
20:45
21:00
21:15
21:30
21:40


2nd top
1st top
Daily resistance level
$15.16
A break of the
recent higher high
Volume 15,690
15.3
15.25
15.2
15.15
15.1
15.05
15
14.95
14.9
14.85
14.8
14.75
150
100
50
18:00
18:15
18:30
18:45
19:00
19:15
19:30
19:45
20:00
20:15
20:25

Entry Criteria

Look for the stocks that moved up the most.

Draw price levels at which the stock could stop.

1. Look for the stocks that moved up the most.
2. Draw price levels at which the stock could stop.
3. Put alerts on those levels so that you can track the price closely when they reach the key level you've marked.
4. When the stock reaches one of those levels, expect a slight price drop and wait for an upward correction and a second breakout attempt in the hope that it will appear accompanied by a reversal pattern and large volume
5. Place a sell order below the "higher high"
6. Place a stop-loss order above the daily high
7. Set a take-profit order at least 2:1 the size of the stop loss.

Chapter 4

RISK MANAGEMENT

The most important thing to know for a trader is how to manage risk.

Anyone who is serious about starting off a trading career needs to make this his or her priority, for traders all around the world rise and fall for it and by it. Typically beginners will dedicate all their focus to indicators and trading strategies and that is a mistake.

Sure, a good strategy can help a trader but if that trader doesn't manage his risk properly, he could lose his pants even with the best trading strategy in the universe; believe me, I have witnessed crazy things like this my whole life.

There is no way to avoid risk in trading. Every single trade could - theoretically speaking, at least - turn and end up as a losing trade.

The first key to risk management in trading, then, is for a trader to determine how much he’s willing to risk per trade and his win-loss ratio.

"And how do I know how much I'm willing to risk?”
I hear you asking.

There are two main ways, one is automatic and one is mental, the idea is to combine both.

1. The 2% risk -
The idea of the 2% risk is that you always risk 2% on each trade.

For example, if you have $10,000 in your portfolio, your risk would be $200 and your take profit value would be of say $400.

If you do pocket that trade, your new balance will be $10,400 which will allow you to increase your risk in dollar terms (to $208 while keeping your 2% risk rule.

2. Mental risk -

Here the trader stops for a moment and asks himself how much he can bear to risk in any given trade without that risk affecting his decision-making.

Truth is, risk appetite and tolerance are two very subjective elements of trading. People are different from one another and so are traders. They come from different backgrounds and have different levels of experience.

Some traders have a much larger portfolio in their accounts than others and can afford to trade a little more aggressively. Some traders may just be trying to grow their savings little by little and are not willing to take risks more than is necessary.

Others may be in the opposite situation and might be trying to grow their capital as quickly as possible and might be willing to take on a little more risk. Possibilities are endless when you think about it.

Mental risk management is not a one-size-fits-all kind of thing. It's more like Cinderella's slipper; each person must have the right fit.

There is no point for a trader to open a position and leave himself exposed to a large risk only to start having second thoughts at the first sign of a tiny drop. Whatever the weather, a trader should not risk any more than 2% of the value of his entire account in any one trade.

Risk appetite, risk tolerance and emotion go hand in hand. Once a position is open, your emotions are likely to immediately start interfering with your perception of risk. Price rapidly moving in your favor will “pump you up” and will increase your sense of risk tolerance. You might feel like “doubling down”, increasing your exposure and cranking up the risk level. Needless to say, that is all the ingredients a catastrophe needs.

On the contrary, price moving against you will make you doubt your decision and might end up pushing you to close a position that would have been otherwise very profitable.

Decide your risk level, the size of your position and your stop-loss before opening the trade and stick to it!

This leads me to a critical issue in risk management: **How many shares should you buy?**

Position size

To work out how many shares we need to buy to maximize our profit potential while remaining within our risk management rules is a simple equation.

To calculate it, you need to divide your dollar risk by the distance (in $) to the stop-loss.

Here's an example:

A trader wants to buy a certain stock at $1 and he's willing to risk no more than $100 on this trade. After studying his charts, he decides to set his stop-loss at the $9.50 level. Well then, how many shares should he buy?

The answer is simple. The trader needs to divide his chosen dollar risk ($100) by the change in price to his stop-loss (($0.50). 100/0.50=200

The trader can buy 200 shares and with a $0.50 drop to his stop-loss, he would be risking $100.

Risk-to-Reward Ratio

Now, let's move on to the question of how we determine our risk-to-reward ratio.

Personally, a win-loss ratio of 3:1 is the minimum I am willing to accept to consider it worth taking any risk.

A 3:1 ratio means I am willing to risk $1.00 for an expected gain of at least $3.00.
By keeping a ratio like this, any trader -even a beginner - is able to absorb and make up for up to three losses with each winning trade.

It becomes evident that a trader could remain afloat around the break-even level even if using a strategy with just a 33% probability of success.

This may all seem very simple and straightforward but we have to remember the market is ultra-dynamic and in perpetual change. Like a wild beast, the market is unpredictable and has a mind of its own. A support or resistance line, big news, sentiment, anything can slow down price or even invert his direction whatever your ratio was meant to be. Keep that in mind.

All clear so far? Great. This leaves one last very important aspect of trading to talk about. Price target. What is it and where should you set it? Let's find out.

Price Target

In trading, the term “price target” refers to the price level at which a trader would be happy to close his position. Usually, it’s also the level at which a trader would set his take profit order.

There isn’t necessarily a right and a wrong way to set your price target - a bit like risk appetite/tolerance - it is a subjective matter and each trader has his own way of doing it and his own reason to do it in a certain way.

That said, let me reveal to you how I would recommend doing it.

1. Risk unit based -

As we have already discussed, with this method we simply take our profit as soon as the stock price has reached the risk-reward ratio that we set in advance.

Let’s say for example that we are trading on a risk-reward ratio of 2:1, entered a trade at a price of $13 and set our stop-loss at $12.70. In this case, our risk would be $0.30 and, to maintain our ratio at 2:1 we should aim for twice that same amount in profit ($0.30x2=$0.60) and we should then set our take profit order at the $13.60 level.

2. Support and resistance areas on higher time frame charts -

In this method, the reason to sell is based on historic support and resistance levels. This is what is called "looking to the left" of the chart on higher time frames.

The reason for exiting the trade is triggered when the price reaches the closest support or resistance level.

3. Time of day -

With this method, there are two main reasons for exiting.

A) Exit the trade before an important announcement. This is true for news that can affect the whole Market (i.e. Fed's announcements) or news that can affect the stock you are holding (i.e. earnings report).

B) At the end of the day.
A day trader closes his trades up to ten minutes before the end of trading so as not to leave any position open and be exposed during the night to changes to which he cannot respond.

The way I trade is a combination of everything together. The minimum risk/reward ratio I'm willing to adopt in any given trade is 2:1. I will not enter a trade that offers any less than that.

First of all, I look at the support and resistance levels (looking to the left) and see whether there is anything that could stop my trade.

If any of my positions is still to reach my take profit or my stop-loss before an important news release or before the end of the trading day, I will accept both a partial loss or a partial profit and will close it without hesitation.

Chapter 5

PRACTICE MAKES BETTER

During my many years of experience, I've noticed the existence of a common denominator among the very best traders. I'm serious, it seems to me that virtually every successful trader, every man and every woman that has made a ton of money and a name for themselves in the "Trading Universe" has this particular character trait.

It is their unstoppable willingness to improve themselves and the sheer determination in their stride to succeed.

These traits alone can go a long way and traders know it.

Time and effort are focused on improving strategies, mindset, risk management, knowledge and so so much more.
You've been reading all the way to this point so I'm not going to doubt your determination and your willingness to improve but when it comes to self-improvement, we can all get a little better. Want to know how? Ok, let's talk about it.

So how do you do it?
Improving your trading requires several things:

1. Screen hours -
I am sorry to be the one who's got to break it to you but if you really wanna be a great trader, you're going to have to spend a long time in front of the screen. I mean a really long time. If your eyes aren't burning by the end, it's not long enough.

During market hours, study the charts, follow price movements, identify trends and patterns-forming and attempt predictions.

Even when the market is closed, you can still get lots and lots of value by analyzing charts, you can review the day, the week and the month.

You can draw trend lines, support and resistance areas, and patterns. You can match forming patterns and price levels to historic data and behaviors, enriching your awareness and confidence in the market.

2. Trading journal -
A trading journal is a very simple tool but it will improve your trading skills massively. Keep one! Register the positions you open, the reason why you've opened them and the results. Jot down the time of day, price, and details. They will help you to see and create patterns according to even the most unnoticeable details. You might see patterns in price, market behavior, or even in your own behavior that might help to put into focus parts of your strategy (or your behavior) that might need improving. As well as those that are working well.

3. Record yourself while trading -

Record yourself while trading. Something that helped me - and many other traders - is recording my trading day digitally.

There are programs out there that record your screen while using a microphone to also record audio. Once trading is over, you can go through the recording, and understand if and what mistakes you made, why they happened and what you have done well.

You'll also have the opportunity to evaluate your reaction speed and to review again and in real-time price movement of your stocks. You will also hear yourself and remember what your thoughts were before entering a trade and during your management of it.

Burning your eyes on a PC screen will not always be a pleasure but it is a vital process that is necessary for your learning and improvement.

Everyone has to start from somewhere. No trader was ever born already having the skills, knowledge, and the right answers. Even the most successful traders alive today had to go through the same things you are about to go through.

They had to learn the same things you are studying now. They too had to discover the right strategies for their character and set their own trading rules, targets and limits. To be fair, I believe most bad traders would have also gone through the same process. What differentiates them from the successful ones is their perseverance, commitment, their will to self-improve, and the hard work they are willing to put in to succeed. Think of that if you ever feel things are getting a little hard or that your willpower is weakening.

Chapter 6

DAY TRADER ROUTINE

Mistakes happen in day trading and they happen for different reasons
One of these reasons is the constant bombardment of information. It distracts us, makes us lose focus or panic and too often makes us doubt ourselves and our trading decisions.

Another common reason for mistakes is “human error”. Traders might accidentally click on the wrong button, buy instead of sell, or even add “a digit too many to their position size”, for example.

No one is perfect and in a fast and dynamic environment like that of day trading, mistakes are made and will be made… however, this is not to say that a trader cannot do anything about that. On the contrary, most mistakes can be avoided and others can be limited and controlled.

How?

Well, with diligence and a solid routine, of course.

Successful traders have and rigidly follow a daily routine; a simple sequence of actions that repeats itself and that provide the trader with a pre-arranged set of choices and instructions that will significantly reduce mistakes, uncertainty and lack of concentration.

In addition to all this, a daily routine can be a great noise-canceling tool while trading.

Decisions and contingency are set in advance while the trader has a calm and objective mindset. Once the market opens, the trader already knows what stock he's interested in and what needs to happen to trigger an "entry signal" and to decide to open a position. It won't be emotions, noise or other people's decisions that determine his trades; it will be his daily routine and his pre-arranged set of rules, choices and decisions.

Pre-market routine

For what we are concerned, we recommend that a trader be awake at least an hour or two before the market opens (and remember, it is important to get up in the morning and eat a proper breakfast to start the day).

For an hour and a half, before the market opens (8:00 AM EST) a trader must focus; no cell phones and no background noise. During this time, the trader should only concentrate on making his watch list.

If you are just starting out, here are a few tips on how to build a watch list:

1. Look up yesterday's watchlist to see if any of that stock still has momentum or is otherwise relevant
.
2. Check your stock scanner and look out for stocks that have moved the most (in percentage) during pre-market.

3. Go stock by stock and check if there is any interesting news that could give its price the volatility we want to see.

4. Mark levels of support and resistance in addition to trend lines on a weekly/daily/hourly chart.

5. Identify the stocks that seem the most obvious and the stocks that seem less obvious to trade and rank them in your watch list from highest to lowest respectively.

A trader should be able to complete this entire process by 09:00 AM EST.

We suggest you take a 30-minute break at this point as part of your daily routine. Relax, wind down and then enter the zones you need to trade.
Use the time to also think about what you expect from yourself and your trades and about what your objectives are for that day.

Make sure you keep striving for your self-improvement too; set yourself goals and work towards them. Try to be more patient with your trades, for example, if you notice that you enter trades too impulsively.

Do you want to take more trade than usual? Do you want to increase the number of shares you have in a company? How are you going to go about doing that?

Focus, think, decide, review and execute.

Trading Routine

The time is 09:30, the market opens and what a trader needs to do in the first five minutes is to be patient until the strong wind of the opening passes and he can understand what are the trends that it leaves behind.

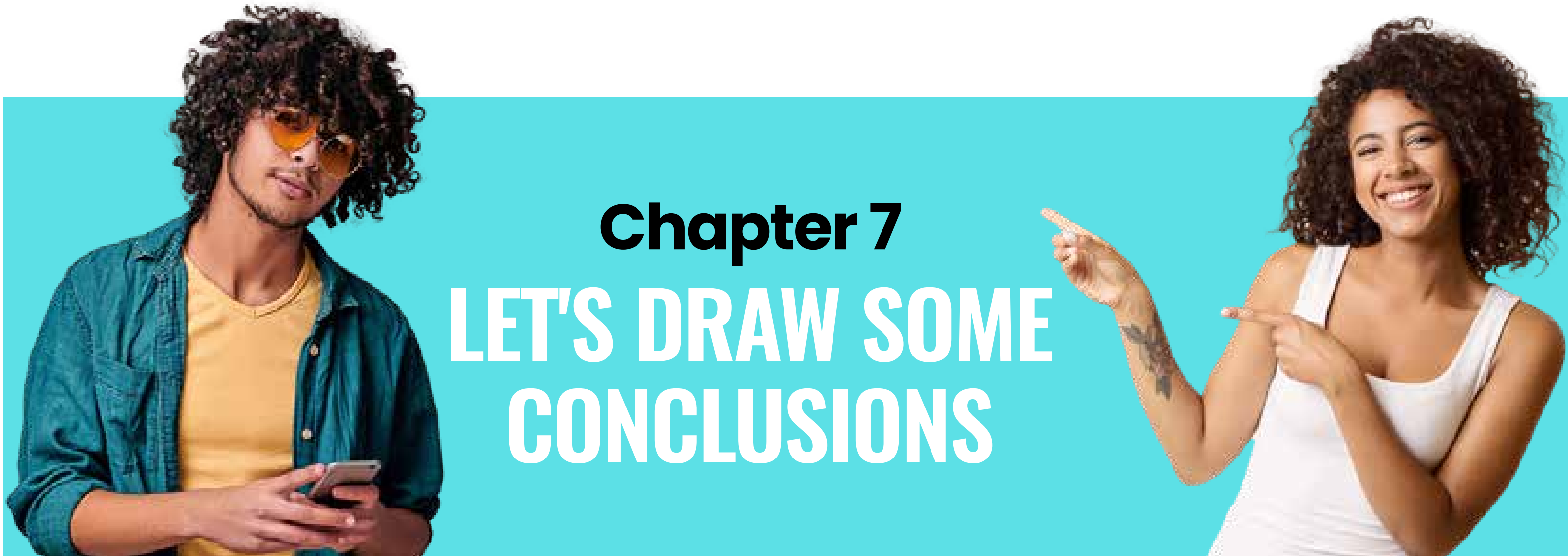
Your best chances for good entries occur in the first hour and a half of market trading and momentum strategies are king here; you should focus on them.

Trade strong stocks you identified in the pre-market and combine momentum strategies, hot news and market movements. From around 10:30/11:00 am (EST), it is recommended to trade the reversal strategy because, normally, that's when shares start to lose momentum and start to drift back down. In addition, it is also a good time to lock in profits from your current trades by raising the stop loss to the most recent higher low.

The hour between 12.00 and 13.00 (EST) is known for being a "not-so-great time to trade". Try to avoid any urge to do it; during this hour, volume is generally very low. Why? Well, let's just say it's the "financial market lunch break".

Although the afternoon can still present a few opportunities, volume traditionally remains lower than it is in the AM hours.

Even the quietest of times, however, can offer the opportunity to learn and further self-improve. Make the best of market downtime to update your journal, for example, register your latest trades and results; compare your strategy and your prediction with the recent movements of price and look out for any new pattern forming or breaking on your stock chart. The learning process is continuous and daily preparation starts way before your first trade is open. Do not underestimate the importance of this or you might end up paying the price.



Chapter 7
LET'S DRAW SOME CONCLUSIONS

Well done! You are an investor!

Remember one thing: all traders are first and foremost investors.
The learning and improvement process that they have to go through. All the practice trades taken on a demo account, the emotional rollercoaster, the nights spent in front of a screen, instead of being on crazy nights out. As well as reading a book just like this to improve knowledge and awareness - are all a form of investment.

What you have just started is an investment in yourself.... and that's the best investment you could ever make.

It is my experience and history in the financial markets that made me want to write this book; that same experience that brought me to consider most people under three different categories:

1) THE WINNERS -

those who live the life they want - they feel their life is successful, have a great personal/professional balance and are generally happy and satisfied individuals. People (including traders) in this category also tend to be more likely to recognize other people's worth and invest in them too.

2) THE MOANERS -

Those who don't live the life they want yet and are not willing to invest in themselves - people you can easily recognize in your everyday life. Not fully (or at all) satisfied with the life they are living and have created for themselves. They love to complain to whoever will listen but are not so eager to do anything at all to change and improve things.

3) THE CONTENDERS -

This last group is formed by people who also do not live the life they want yet but are working towards the achievement of their goals and their self-improvement.
I call them that because they are true contenders to "win the game" and live that life one day. They know what they want and are ready to do what it takes to get it.

They are ever-enthusiastic don't let distractions get in their way. Focus, hard work, determination and their “everything-is-possible attitude” are what set them apart from the crowd; you can recognize these people in your everyday life too.

The simple fact that you have read this book to this point, tells me you are most definitely NOT a moaner for that's the only group who doesn't invest in themselves.
Go on, give yourself a pat on the shoulder, and congratulate yourself!

HERE ARE A FEW TIPS I WANT TO GIVE YOU FOR THE JOURNEY:

Keep striving to improve yourself.

Remember, no matter how bad you think you are, you can always improve yourself and no matter how good you think you are, you can always improve further.
Learn, learn, learn. Learn strategy and learn methods. Learn to manage your risk as well as your emotions. Learn to trust yourself before anything else. Learn to learn and learn to learn better.

Don't give up!
Take an image of something that represents what you want in life, what you want to achieve or the lifestyle you want to have. This can be the image of a Ferrari, a mansion, a farm, a desk in a luxury office block or even the image of your family at home with you in it (for a change).

Whatever it is, take that image, frame it and place it somewhere near your computer. Use it as a reminder of what you are working for when you feel a little demoralized or near to giving up.

Look at it and get your motivation back, remind yourself that's only a matter of time, work and effort before you reach your goal and imagine what life would be like once you have achieved them.

Don't procrastinate and don't be scared to keep investing in yourself.

The two forms of investment that people often find the hardest to make are investing their own time and investing their hard-earned money.

We live in a fast-moving society where everyone is constantly busy with thousands of things to do and it always seems like there aren't enough hours in the day to do them all.

Choosing how and where we spend our time is not always easy but for the "Contenders" it is a no-brainer that part of it should be dedicated to planning and working for a better life and a better future. Again, look at the image you have placed on your desk and remind yourself why you are doing it.

While time is finite and limited, money is not. A week spent at home doing nothing is a week that nothing and nobody will ever give you back. On the other hand, you can always make back the money you invest in yourself and multiply them. Spending thousands of dollars on a university degree that will allow you to obtain a highly-paid job, for example, would be considered a good investment.

Surround yourself with like-minded people.

The saying goes "successful people hang around with successful people".

Whatever the saying, your peer group is important. If day trading is what you want to master then surround yourself with successful day traders and with other Contenders. If you cannot do it in the real world then do it online. Look out for day trading communities, forums, blogs, and videos. Compare your strategy and opinions. Share and gain new knowledge. In other words, be in it, not around it.

Don't just learn and think. Do!

You cannot learn how to play baseball by just reading a manual or watching a few videos. You got to play the game to learn it and master it; the same goes for Day Trading.

Demo accounts are great to research and try out your strategy and you sure can learn a lot from that. However, it is impossible to learn to manage our emotions while trading "fake money".

The sense of risk would never be real and your action would be far less likely to be influenced by it or by a large losing trade, for example.

There is no substitute for time in the market. The real market, that is. You need to put your skills and your emotions to the test and spend as much time as possible with real risk and real interest.

This, historically, has always been hard for any beginner trader. Until not long ago, retail trading was virtually nonexistent and financial legislation required traders to have large portfolios to be allowed to enter the market.

Today, however, technology has allowed traders to trade the market with ease from anywhere and, although the required entry capital remains high, there are now a few ways around it.

Things are different now. The retail stock trading world is changing and we, at 'Trade the Pool' are leading that change.

If you already have a working strategy or are close to having one and if you are seriously committed to working and investing in yourself then I'd suggest you keep reading and find out if we can help with some trading funds (or better, if we can help each other).

Are you the trader we are looking for?

In my experience and history in and around the financial markets, I have noticed how much talent and potential go to waste because of a simple lack of capital.

Traders, I mean, with the right skills, the right knowledge and the right mindset but with not enough resources. I know some of them have ended up working for big banks and important hedge funds, but I also know that the majority have simply given up.

To be fair, every player in the market can see this happening but while most of them see it just as a shame and a fact of life, we saw it as an immense untapped potential!

We decided to "hunt down" undiscovered talent; the right Contenders with all the right strategies, skills, mindset and can-do attitude and share our huge pool of investment capital with them.

We thought it would offer skilled traders the opportunity to make ever larger profits by making available to them the capital they lack and, at the same time, diversify our own risk and increase our traders' profit as well as ours.

We call this **"TRADE THE POOL".**

We are the number 1 company in the world that funds traders for trading stocks. You can trade over 12,000 stocks and ETFs and even short any penny stock with over 100X buying power.

Our purpose is to help traders succeed and get funded. That's why we partnered with the best trading tools and software in the industry, such as:

- TrendSpider
- Trade-Ideas
- Bookmap
- TraderSync

Once you join Trade The Pool, you get free access to our partners' tools.

TTP is powered by The5ers, an esteemed company founded in 2016 and well-known in the prop trading industry.

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TRADE THE POOL
WE **FUND** STOCK TRADERS

LET'S STOCKnROLL