HOW TO DAY TRADE (REALLY WELL)

TRADING STRATEGY, RISK MANAGEMENT & TRADING PSYCHOLOGY

INTERNATIONAL DAY TRADING ACADEMY

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ABOUT THE AUTHOR

I am the Co-Founder and Director of the International Day Trading Academy. I have a background and a degree in teaching and I'm a passionate trader.

I'm well-recognized and highly respected in the IDTA trading community as an expert in the psychology of trading, economic cycles of trading, and Investments.

I have an extensive history in share trading, real estate, property development, and other forms of investing.

Since 2014 I have been a regular contributor for Australia's largest trading publication, Your Trading Edge magazine. I've contributed articles about psychology, forecasting, and technical analysis.

I hope that in reading this book you are able to improve, or build a foundation of trading psychology that can help you be the best trader that you can be.

To your success,

Cameron Buchanan
Professional Trader and Educator

INTERNATIONAL DAY TRADING ACADEMY

CHAPTER ONE

INTRODUCTION

Make no mistake; trading professionally can be a very exciting journey. There is also a down-side risk that we cannot lose site of. Just like any business, there are good days and there are bad days. You can make money quickly and you can also lose money quickly. If you get on the right side of trading, you can completely redefine your life.

To do this you must build your trading competence as a by-product of great education, sound discipline, active risk control and a trading strategy that is designed to produce a very high success rate. If you have all of these, you have a high chance of being successful in trading.

Most of those who fail at Day Trading have failed to do at least one of the following: not having a solid trading strategy, not controlling their risk correctly, or letting their emotions get in the way of their trading. In this book I will outline some of the strategies and techniques that I use in the International Day Trading Academy trading strategy.

There are 2 main areas of skill involved in trading, the technical skill e.g. understanding the market, patterns, and risk management, as well as the psychology of trading e.g. over-trading, revenge trading, FOMO (Fear of Missing Out) and more. I'll go into all of these a little later.

In this book I'll discuss how to Day Trade, specifically, how (and why) I trade Futures. But first, let's define what Day Trading is and how Traders seek to take advantage of market movement daily. A successful trader is able to predict trades that are likely to be profitable, and manage their risk to limit any potential loss. If a trader can do these things well, particularly risk management, then there is a chance of making money out of trading even if you only get it right 50% of the time.

Before I go too in-depth, what is Day Trading?
Put simply, Day Trading is the process of buying something in the market, for example a stock, commodity, or index etc. with the intent of selling it shortly thereafter for a profit. As Day Traders we sit down in front of our computer for 60 -120 minute window to look for trading opportunities that could last seconds to 15 minutes.

As a Day Trader I also have the option to 'Short Sell" the market, or sell the market with the intent of making money as the market falls. I will discuss this a little late in the book as it is an interesting string to add to the Day Trader's bow.

While most investors focus on long term investments, as a Day Trader I focus on getting in and out of the market every day. This approach to trading allows me to move with the ebb and flow of the markets and grab them when they take off. This approach also means that I do not need to hold a trade in the market overnight or over the weekend. This assists in protecting me against any correction in the markets that may occur when I am asleep and is a valuable risk control technique I can teach you if you want to get very good at trading.

Having taught over 1600 students how to trade, I've noticed that the technical side of trading isn't that hard for most. What people tend to struggle with is the psychology of trading and following their plan. There is a real skill to managing your emotions, particularly the emotions of fear and greed that tend to pop up a lot when you are trading. This is why I suggest all traders start their trading journey in 'Simulation Mode'.

Simulation mode means that you are trading the markets with fake money. Trading fake money gives you the opportunity to test and prove your ability to trade the markets without the need for real money at risk. I tend to find that traders who are very good with fake money, have a better chance of being very good with real money. This 'transition step', may be a simple one, sure, but it is one of the most valuable transitions you can make to full time trading.

What makes Day Trading different to buying and holding stocks?

Make no mistake; trading professionally can be a very exciting journey. There is also a down-side risk that we cannot lose sight of. Just like any business, there are good days and there are bad days. You can make money quickly and you can also lose money quickly.

Large losses are very hard to come back from, so a trader must learn to use stop losses and cut losses before they spiral out of control. Most beginner traders make trading decisions from fear, hope and greed. So you must act quickly when you are on the 'wrong side'. If you get on the right side of trading, you can completely redefine your life.

To do this you must build your trading competence as a by-product of great education, following your trading rules, sound discipline, active risk control and a trading strategy that is designed to produce a very high success rate. If you have all of these, you have a high chance of being successful in trading.

Day Trader:
Makes educated decisions based on their strict rules that determine the likely direction of future price.

Buy & Hold Investor:
Makes decisions far less based on data, often choosing the "Buy, Hold, Pray" method of hoping the market moves in their favour

The importance of setting a foundation

Trading can look easy to the observer, but it is important to acknowledge that someone who is skilful at something will always make it look simple. I've seen it before, someone wants to start trading, watches someone trade for a bit and then tries to emulate without first understanding the fundamentals of trading.

If you are learning to walk a tightrope you do not start by attempting to cross at a great height, you learn close to the ground where falling will not have much impact. Once you have the foundational skill level you can then start to increase the height at which you attempt. It is the same when trading, you must set the foundational knowledge and skill before you can attempt to dive into the deep end of live market trading.

In this book I'll teach you the fundamentals of Day Trading Futures. You will learn what a high probability trade looks like, how to find these opportunities, how to manage risk, and how to trade without emotion, trusting your strategy.

CHAPTER TWO

WHAT CAUSES A TRADER TO FAIL

There are a number of reasons why a high percentage of beginner traders fail. Before you throw in the towel and drop this book, may I suggest there is a very obvious fix to the issue and when you get this you will get trading.

It is a common perception that most traders fail due to a poor psychology around money and hence trading. Traders tend to not fail, in my opinion, due to a lack of technical ability. In my experience, trading success is 20% technical and 80% psychology but many new traders concentrate almost entirely on the 20%. We need to focus on both and I will do this as we move through this book.

When talking about trader failure it is also worth noting that there is a market design issue that needs to be discussed and resolved. As I will highlight late in this book, not all forms of trading are equal. In fact, if you choose the wrong market to trade, one that is open to broker initiated market manipulation, your chance of success in trading may be close to zero. So big is this issue that we will dedicate a section to it later in this book.

"Successful Trading is 80% Psychology 20% Technical Ability"

Not realising that patience is of virtue

Learning a skill that has the potential to provide income is an exciting thing. It is easy for a beginner trader to want to cram as much trading information as they can into their heads as quickly as they can. From time to time I'll see a beginner trader who has learnt a trading pattern of some sort, but completely lacks the foundations of trading, these people rarely succeed.

It's extremely important to take your time in learning to trade and to have a firm understanding of market design, trading psychology, and risk management skills before you go live into the market.

I set my students certain rules to abide by in order to increase their chances of being successful with Day Trading. One of these rules is to practice in a simulated environment until they can prove themselves competent enough to trade real money. This allows budding traders to practice what they have learnt without risking any 'real money' in the market. A rule of thumb that I like to use is, if you can double your simulation trading account, you've proven that you can start trading on a real live account with actual money in the market. The most successful traders stick to trading the exact same way as in simulation, resisting the emotions involved with trading real money.

Another way that patience is of virtue is in position sizing within trading. Some traders let greed get the best of them and start out too hard and too fast. I teach all of my students to start small and build once they have proven themselves capable of trading a live account. I feel this method of slow and steady provides a higher probability for profit in the long run and lowers the risk of burning your account.

Something that you will hear me say quite a lot is "go slow to go fast". Probability tips in your favour if you can remain patient in the positive trades, though act decisively when you are wrong and take your small loss . If you have emotion still running through your body after the trade, it is important to wait for it leave the body, and wait patiently for the next opportunity.

Now I've spoken a lot about risk, and that's not to scare you away from trading. I speak about risk management as a big part of being successful. Because if traders can focus on avoiding losses more than making winners, this aversion to loss is a very powerful understated tool for a successful trader's consciousness.

Going it alone

While it is completely possible to teach yourself how to trade, via books or online media, you greatly increase your chances of success by surrounding yourself with a professional support group. Coaching and guidance from a professional with many years of experience trading is a big help when starting out. At the International Day Trading Academy, we go a step further and also have 'Trading Hubs' filled with members that assist each other on their path to becoming successful traders. We place a very high importance on building a solid support system.

Not controlling emotion

The market doesn't care about your emotions. Nothing stirs up human emotion more than loss or gain of money. The markets are driven by emotions of fear or greed, so to not feel emotion whilst trading is impossible. Humans by nature are emotional and at times irrational. It takes awareness of how emotions affect us and the skill of emotional regulation takes practice and patience. The successful trader trades completely aware of their emotions, and their decision making is not based on emotions but rather their trading plan. The unsuccessful trader gives in to fear, or greed, or biased opinions. The emotional part of our brain is very good at tricking the logical side of the brain. To be successful you must completely deal with the emotional noise and trade based on your plan and on real data and probabilities.

Not controlling risk

Good risk-management rules may feel like they're holding you back at times. They can have the effect of reducing your profits over the short to medium term. There may be times when you are likely to think: 'I could have made more money if I wasn't limiting my positions because of risk management'. This temptation to abandon prudent risk management is often greatest after a period of success.

A single large trade in these circumstances can easily lose all your recent hard-won profits (and possibly more). A consistent, controlled approach to trading is more likely to be successful in the long run.

Gradually compounding your account by leaving your profits in the account and prudently increasing your positions in line with your increased capital is a more likely path to success than over-trading in the short term. Remember, "go slow to go fast", learn to love that phrase. Good risk management can also improve the quality of your trading decisions, by helping with your psychological approach to the market. Getting into a cycle of overconfidence followed by excessive caution is a common problem for traders. Thinking of trade management first helps you think less emotionally, and focussed on structure.

Not having a plan

A trading plan will dictate a number of things such as which market you trade, how many contracts, what patterns you trade etc. If you don't decide these things before trading, you are making your job as a trader so much harder.

For example, not choosing one market to focus on will spread your concentration across multiple markets. You should instead focus on one market that fits your trading style and goals. Further, if you fail to plan the number of contracts that you should be trading (this is based on the goals you wish to achieve), then you will likely be inconsistent. Knowing the number of contracts you can trade comes under knowing money management for trading. Money management is an important part of your trading plan.

Breaking the rules

In the military, the consequences for breaking the rules are high. Having served for 15 years in the Australian Regular Army, and deployed overseas on multiple occasions, may I suggest rules matter. It makes sense, you cannot break the rules in potentially life or death situations, so this is something that is conditioned into new recruits immediately. Trading may not be life of death, but the consequences of not following the rules can lead to losing all of your capital. A trader should be as diligent as trained military operative and be prepared to act only when their rules of engagement permit. If you ask any successful person, in business, sport or otherwise, I am confident they will agree that success leaves clues and that success is a by-product of discipline.

Not ditching losers

It's ok to lose, in fact, as a Day Trader you 100% will have losing trades along the way, not even a super computer could be right 100% of the time, it's not possible. The difference between a poor trader and a good one is how they lose. A good trader is able to recognise that a trade just isn't going to be profitable if it hits a certain price and they plan (beforehand) to exit if price hits that point. A poor trader will either hold on to a trade in the hopes that it will swing in their favour, or worse, will not enter the trade with any thought of needing to exit at a certain point if the market moves against them.

Not using a stop loss

Following on from this idea, any good trader (I would go as far as to say any trader who is not terrible) will use stop losses on all of their trades. A stop loss is a predefined price point that a trader sets when entering a trade. A trader will 'set their risk' which states the most they are willing to lose on a trade. If the market moves against you and your stop-loss is touched, then the trade is automatically exited (via a trading platform). Any trader that fails to do this will have an unbalanced level of risk and could potentially lose a greater amount than the trader that uses a stop loss. This is effectively walking a tightrope without a safety net.

Exiting too soon

On the opposite end of the spectrum, exiting a trade too early is a temptation that many beginners fall for. Alternatively, if a trade begins to move against a trader, some will choose to exit out of fear of taking a larger loss. Then what happens? The market swings the opposite way meaning they have ended in a worse position than they could have. Another scenario where a beginner trader may exit a trade is after making a small profit, they give in to the fear of that profit dissolving as price moves against them.

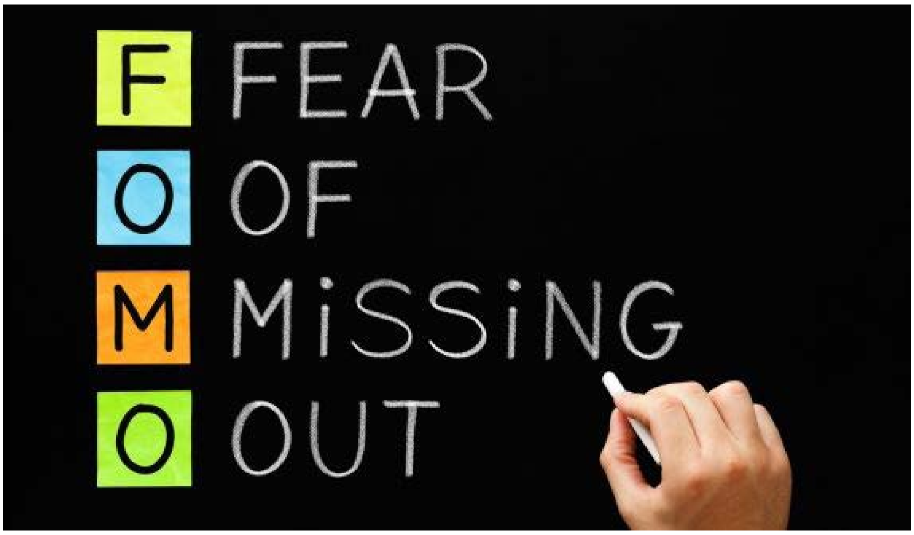
Getting cocky

Becoming cocky or overconfident when trading becomes fairly easy to do (and difficult to avoid) when you've had a streak of successful trades. It's natural in anything that you do, if you are doing it very well, to enter cruise mode and not pay attention as keenly as you should. When trading 'cruise mode' could mean not strictly adhering to the rules you have set yourself for profit/loss, risk, number of trades, etc. In becoming cocky you may choose to trade more aggressively than your strategy suggests you should for example.

Over trading and FOMO

Over-trading is another way that cockiness rears its head. Assume you are trading and sticking to your plan, you have a few successful trades and hit your target for the day. Your endorphins by now are at a high. You feel confident in what you're doing and the market seems to be moving just the way you expect it to (or so it feels).

It feels like a good time to make a good day of trading even better, you see a set up that you would typically trade. This time the market moves against you and you end up giving back some of your profits for the day and you don't make your target for the day. In trading psychology we call this the 'Fear of Missing Out' or 'FOMO'.



Failure to take responsibility

If the market decides how it wants to move, and we cannot (as an individual) affect that in any real meaningful way, then whatever happens is not our fault! Bad luck, the market moved against me. Some people think like this, they may not mean to, but they do.

Remember though, nothing happens until a trader chooses to enter the market, a trader decides when to enter, for how long, and when to exit. While in the market a trader is fully responsible for the decisions they make based on the information available to them. Psychologically it is very easy to take responsibility for profits, and much more difficult to take responsibility for your losses.

Failure to take responsibility becomes a problem when a trader allows this thinking to open the door to random or poorly planned trading. Taking responsibility for your trading will allow you to be strict with yourself and observe the rules and trade more consistently.

It is important to note here that the market does not know you are trading, if you choose the right market to trade. I hear many traders say: “As soon as I take a trade, the market moves the other way!”, or something to this effect. I also hear traders say: “The market clearly knows I am trading as it just hunted my stop-loss again”. Fact is, it is impossible for the market to ‘hunt your stop-loss’ if you are trading the right markets. More on this a little later in the book.

Not keeping A trading journal

There are a couple of reasons why you would want to keep a trading journal. When you are starting out, ensuring that you make notes about a trade you have placed and explaining why you took it can help you review past trades and learn from them. By doing this you can see a pattern of what has been successful for you and what you need to work on.

We all know that there is a lot to be learned from hindsight so, after you have been day trading for a month, take some time to evaluate what you have done. Look at your trades and ask yourself the question: “If I could do this trade again, what would I do differently?” This can help you to become a more consistent and successful trader in the long term.

When you have become proficient in trading it’s not the case that you can toss away the journal because you know what you’re doing. When you trade you should treat it as though it is a business. You cannot run a business without tracking financials. When talking about trading, your journal will allow you to see where you are for the day, week, or month, and whether you are on track to meet your goals.

Your trading journal is the best tool to use for keeping yourself accountable, if you don’t track your goals then there is no accountability for reaching or failing to reach them. Your trading journal is also one of the best defences I have ever seen against the monkey chatter in your head while you are trading. This chatter is the fear and greed that you may associate with money and if you have great stats, eventually the monkey chatter stops.

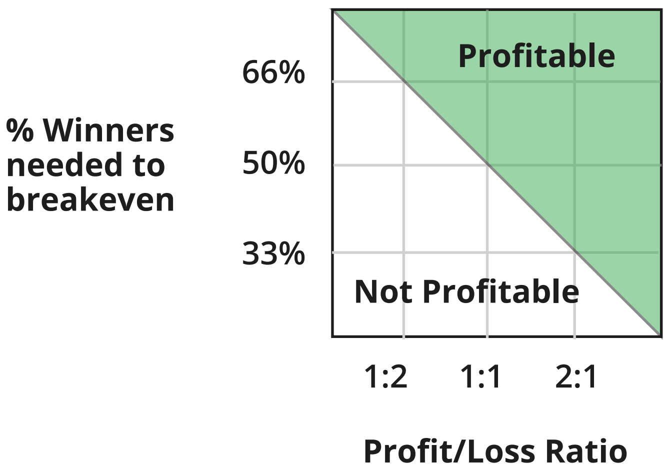
CHAPTER THREE
RISK MANAGEMENT

It's tempting to think that once you have gained the skill of knowing when to enter a trade and when you expect to exit that you're all set and you'll be profitable so long as you're right more often than wrong. This can be a common view of many people when they first start learning how to trade. Remember the first thing that I mentioned in the introduction to this book, we're in a business that involves risk.

In this chapter I want to explain how important risk management is in order to be a successful trader, and yes, it is 100% necessary.

The reason that Day Trading can be more profitable over time than long term investments is your funds can be leveraged in such a way as to take advantage of the size of your investment. What this does mean though, while your potential return is much higher, is that the higher you leverage your account, the higher the level of risk.

RISK	REWARD	BREAKEVEN
50	1	98%
10	1	91%
5	1	83%
3	1	75%
2	1	66%
1	1	50%
1	2	33%
1	3	25%
1	5	17%
1	10	9%
1	50	2%



In trading we talk about 'risk to reward' or 'risk to reward ratio'. A successful trader understands the importance of balancing risk and reward and always works within a ratio that is most appropriate to them. Risk to reward should match the 'profile' of a trader. A trader who wants higher returns accepts that this comes with a higher level of risk, a more conservative trader is happy to take a smaller return while not risking as much exposure as the more aggressive trader.

The goal of a Day Trader is to maximise profits while minimising risk. This is done in a number of ways, both through practical trading skills, and controlling emotion. Both of these are highly important in risk management and should be observed in every single trade a Trader places. That is worth repeating, these techniques should be observed in **every single trade** a trader makes.

Types of risk

Exposure: Simply put, exposure is the amount of risk that a trader holds in the market, meaning, the funds at risk.

Time Exposure: The more time a trader spends with an open position, the more risk there is of that position moving against them. This can be underlined when a trader holds overnight positions and can lead to 'gapping' where a large move occurs leading to a greater loss. This is why Day Traders are in and out of the market very quickly.

Leverage: Leverage is borrowed capital from a broker or clearing house that has an intended use of increasing profit. What this also means is that there is an increased risk of a higher loss compared to an un-leveraged scenario with the same outcome.

Volatility: When a market is volatile it is fluctuating sharply, meaning that movements in price are greater than normally expected. While this does mean that bigger moves can amplify profit, any losing trades, particularly those which are not risk controlled will also be amplified. There is also an added level of unpredictability when it comes to volatile markets.

Risk management techniques

Set A Good Risk To Reward Ratio: Make sure that you always have a balanced risk to reward ratio 2:1 is ideal. If you are able to do this, you can have a lower profit to loss ratio and still be profitable.

Be a Successful Loser: If you have balanced your risk to reward correctly it is important to use a stop loss. A stop loss with automatically close out the trade once price hits your maximum risk price. Doing this helps balance your winners and losers and ensures that losses are kept small.

Don't be emotional: I've covered the various emotions already, things like FOMO, fear causing early exit of trades, emotional attachment causing a trader to hold on to a stock too long. There will always be an emotional attachment between yourself and your money, it's inevitable. It is important to ignore your emotion as much as possible, trust your plan, and trade what you see.

Have a plan and stick to it: You absolutely must have a plan for your trading. You need to decide on what markets you want to trade, what strategies you want to trade, and your risk and objectives for your trading. A trading plan will allow you to determine how you will find and execute trades, including under what conditions you will buy and sell, how large of a position you will take, how you will manage positions while in them. You should create a trading journal to assist you in confirming whether or not you are sticking to the plan.

Set yourself goals: Part of your trading plan is to set yourself goals. If you understand what you want to achieve you are able track whether or not you're achieving it. Make sure your goals are measurable in both time and outcome, make them S.M.A.R.T goals.

CHAPTER FOUR

WHY TRADE FUTURES?

In this chapter I'll talk about why I choose to trade Futures over all other forms of trading including, Forex, Stocks, Options, CFDs, Crypto currencies and Binary Options. When you can pick the difference between Futures and the other markets, I am confident you will switch to Futures trading as well.

Derivatives and futures

In my search to build the ultimate trading strategy, I managed to uncover a 'little broker secret' that had been hidden away from traders globally for years. This secret, otherwise known as 'who owns the market you are trading in', may just change the way you think about trading forever and also make this book one of your most valuable trading reads you can get your hands on.

Futures provide a broker free market which is a manipulation free market. Ironically, day one at the bank was the last day I ever paid a broker and I have been trading the markets without a conventional broker ever since. This gives me a stunning advantage in the market and the same advantage is available to you also if you are open to the idea of manipulation free trading.

The Red house (OTC Broker controlled markets)

The most popular trading markets in the world, like FOREX, Options, CFDs and Binary Options, are all 100% controlled by Brokers. In the industry, these Brokers are called 'OTC Brokers', meaning Over the Counter, or 'Market Making Brokers' and they both own and control every aspect of the market you are trading in.

This 'market ownership' gives Brokers the opportunity to manipulate the price of the markets whenever they want to. This means that the Broker can alter or manipulate every aspect of the market you are trading including market depth, market volatility, market direction and also market liquidity. I was stunned to find out that as a 'Market Maker', they artificially manufacture the market and then invite you to have a trade.

This market making capability also affords these brokers the opportunity to trade against you whenever you take a trade. Every week I speak to traders from all over the world and every week I meet FOREX, Options, Binary Option and CFD Traders who are not aware of the design floor in the markets they are trading. Not all forms of trading are equal and the word is spreading globally and spreading fast!

OTC Markets: FOREX,
Binary Options, CFD's, Options

Traded to and from an OTC Broker. Price is 100% controlled by the OTC Broker. Price is open to many forms and manipulation. Price is specific to a broker, so there may be different prices from different brokers

The Green house (Exchange traded Futures)

I discovered that there was a group of markets called the Futures Markets and that these markets are traded directly to and from highly regulated stock exchanges like the Chicago Mercantile Exchange (CME). These markets are not traded to and from conventional brokers.

This group of markets is the largest in the world, bar none, and include every market you actually want to trade. You can trade all major currencies like the Euro and the USD, all major commodities like Oil and Gold, and all major stock indexes like the S&P500 and the NASDAQ, just to mention six. You can also trade these markets in a market environment that is completely devoid of OTC Brokers. This means that there is no one present in the market to manipulate the market against you while you are trading it, likewise, no one to intentionally trade the market against you while you are in a trade.

These markets also offer every trader globally, 100% transparency of every aspect of the market, 24 hours per day. This is huge for me as an educator if I am planning on teaching very good traders all over the world.

Exchange Traded Futures

Traded to and Regulated Exchanges. Price is 100% controlled by the Exchange. Price cannot be manipulated by a Broker. Price is consistent across all traders globally regardless of where they are trading.

Why I choose to trade Futures over any other form of trading

I hang out in the Green House versus the Red House. Why? As an Exchange Traded Futures trader, I can trade the largest and most robust markets in the world, including currencies, commodities, metals and stock indexes. I can also trade all of these markets using just one strategy and just one platform.

> **"As a Futures trader, I will never have to deal with an OTC Broker nor trade in a manipulated market environment, ever again."**

OTC brokers cannot make any money out of you if you trade the Futures markets just like I do. When people ask me: "Why do you trade and teach Futures exclusively?", the answer is simple. "As a Futures trader, I will never have to deal with an OTC Broker nor trade in a manipulated market environment, ever again." I can also proudly say that every one of my trading students globally share this same advantage and I think this is exciting. As an ethical trading educator, the green house trading environment is the only environment I would ever introduce my clients to.

Other comparisons

I've already mentioned the advantages of an OTC Broker free trading environment, but I'll touch on a few other reasons why I choose Futures over other forms of trading. Keep in mind that there are benefits and concessions when comparing all forms of trading with each other, these are just some of my personal reasons for choosing Futures over other forms of trading.

Futures vs Forex and CFD's

Many traders ask me "Do you trade FOREX?" and the answer is no. As much as FOREX is one of the most heavily advertised market environments in the world, it is also one of the most heavily manipulated. The CFD market is virtually identical by design and as such has the same design floors alluded to above.

I note there are many FOREX/CFD Brokers offering free online education and free trading platforms and free to me is a major warning. I would suggest you need to avoid anything FOREX/ CFD's like the plague, unless you want to give all of your money to an openly manipulated market.

As a Futures trader, you can trade every major currency pair in the world so you simply do not need a FOREX Broker. As a Futures trader you can also trade every major stock index and commodity in the world that are worth trading, so you simply do not need a CFD provider either. Trading for me is about making money in an un-manipulated market environment as opposed to arguing with a Broker every time you take a trade.

Futures vs Stocks

My one time one market method of trading means that, unlike trading stocks, I don't need to spend my time building a 'watch list' of potential trades and hoping for positive news. This means I can spend less than 60 minutes per day trading and spend more time doing the things I love. As a father of two amazing boys, life is an amazing adventure. The last thing I want to do is spend all day in front of a computer when I don't have to.

Futures vs Options

I find Options trading complex, confusing and ultimately expensive. I also find my time in trade is days and/or weeks as opposed to minutes. There are some very good options traders in the world, sure, but they are also stuck in the OTC Broker trap. To me, if you are great at options trading and you are consistently profitable, keep doing it. For the simple folk like me, the Futures markets are easier to trade, allow for very short term trading hence no overnight positions, do not involve time decay (options speak) and offer a huge choice of markets to trade in.

Futures vs Binary Options

I was tempted to not even mention Binary Options in the book because in my opinion, Binary Options Trading is not even trading at all. I could even go as far as to say it is a complete scam in the absolute sense of the word. Before you shoot me down, hear me out.

To keep it quick, can you imagine betting against a broker when the broker controls every aspect of the market you are betting on. Binary Options is akin to a 'coin flip' when the broker gets to weigh the coin prior to the flip. I have stated before that 'not all forms of trading are equal' and this is just another classic example.

CHAPTER FIVE

HOW DO TRADERS KNOW WHAT TO TRADE?

Probability in trading

The 'Trader's Edge' in the market comes from understanding the laws of probability. I've mentioned already that the markets are somewhat random, which causes a paradox now that I introduce the idea of probability, it seems to be a contradiction in terms. On the surface, I can agree that this is the case.

Looking at this 'paradox' more in-depth though, it makes sense. Consider that some random action occurs over a certain period of time, let's say 5 minutes; now this doesn't mean anything by itself, and we can't draw any conclusions from this. Now, let's take a handful of these random events enough to define a pattern. Now that we have a pattern emerging, we have meaningful data. Although partially random, the markets tend to follow certain patterns more often than not. So a trader who is able to observe a certain pattern now has an edge in predicting an event that has a higher probability of happening when compared to the opposite outcome.

This is why trading is built on the practice of identifying patterns that indicate a particular price movement. What if you could identify a certain pattern at about the same time every day. What if there are thousands of traders globally who seek the same thing. What if these traders hence act at the same time when this pattern emerges, by effectively buying the market or selling the market simultaneously. Could this be the start of a trend? Yes. Could this be the continuation of a trend? Yes. Could this be the turning of a trend? Yes. Could this be a daily self-fulfilling prophecy? Absolutely. Could this random set of variables, repeated daily, become a behavioural pattern in the market that is highly predictable and hence very tradable. Yes!

How to identify trades

A good Day Trader can pick the movement of the market and trade accordingly, in a similar way to how we can predict the weather. The art of predicting the weather comes from analysing thousands of weather charts, finding patterns, and understanding what those patterns mean. This is a very data driven process, as is Day Trading. As we've established Day Trader is able to look at a trading chart and identify certain patterns that, based on decades of data, suggest that the market is likely to move one direction or another. Admittedly, the weather is forecasted very accurately these days, however as Day Traders we really only need to be correct around 50-60% of the time to be profitable.

The importance of volume

When traders talk about volume they are talking about the number of buyers and sellers active in the market (i.e. volume of money in the market). If there is a high volume in the market that means there are more traders available to make price move either up or down. When there is high volume in the market this means that there is the potential for price movement to be more dramatic than if there is little volume in the market. The greater the volume, the greater the number of traders globally making decisions on the self-fulfilling prophecies we discussed earlier. Volume is a very good thing in trading.

As a 'Green House' trader, my volume comes from one point, the Chicago Mercantile Exchange, without exception. Every Futures trader globally sees the same volume and can hence draw the same conclusions simultaneously. Red House broker based traders in comparison, only see the market volume provided to them by their respective brokers. The broker supplied volume may be drastically different to the real market volume and the broker based traders would have no idea what the difference is. Can you imagine trying to trade the markets really well with only a fraction of the required information? Best of luck with that.

Typically, market opens contain the highest levels of volume which is why we look to trade the open of our chosen market for around 1 to 2 hours each day. Low volume in the market can sometimes mean that the market moves 'sideways' meaning that price tends not to move up or down in any meaningful way. Each market tends to fall into lower volume during the markets respective lunch break. This typically occurs 2 hours from market open and appears to be a global pattern of behaviour.

Indicators and how they help you trade

An indicator is as it sounds, an indication on your chart that your perfect trading pattern has formed. Indicators assist traders in identifying when a 'trade set up' is occurring. I am a big fan of indicators as I have managed to code my own specific to the exact strategy that I trade. I now share these indicators globally with my clients with the intent of helping them to identify the exact trades I personally prefer every day.

A great set of indicators, designed for a completely un-manipulated trading environment, is a massive edge in the market for beginner traders. In comparison, a great set of indicators applied to a manipulated (Red House) market environment is practically useless, regardless of how good the indicators are. I find that the right indicators in the right market environment are a big advantage for beginner traders who want to get very good at trading the markets and want to get good quickly.

CHAPTER SIX

BULL MARKETS AND BEAR MARKETS

Bull or Bear are terms to describe a direction in which the market is moving. In a bullish market, price is on the move up, in a bearish market the price is moving down.

A trader can also be described as Bullish or Bearish depending on how they view the market and their overall attitude to the market.

A Bullish trader is someone who sees the market in an uptrend and is confident that the uptrend will continue over the long term. This view often comes from strong fundamentals such as a strong economy or high employment numbers.

A Bearish trader is the opposite to a Bullish one. Bearish traders have the view of the markets continuing a trend down. This view can be held due to a weaker economy, high unemployment numbers, negative news etc.

Supply and Demand

In a Bull market there is a high level of demand as traders all look to buy. Supply is low as few traders are looking to sell. This causes the markets to move upward.

In a Bear market, the opposite is true, traders will be looking to sell creating a higher level of supply over demand which pushes price down.

Where does “Bull” and “Bear” come from?

The terms “bear” and “bull” are thought to derive from the way in which each animal attacks its opponents. That is, a bull will thrust its horns up into the air, while a bear will swipe down. These actions were then related metaphorically to the movement of a market. If the trend was up, it was considered a bull market. If the trend was down, it was a bear market.

CHAPTER SEVEN

GETTING STARTED WITH CANDLESTICKS

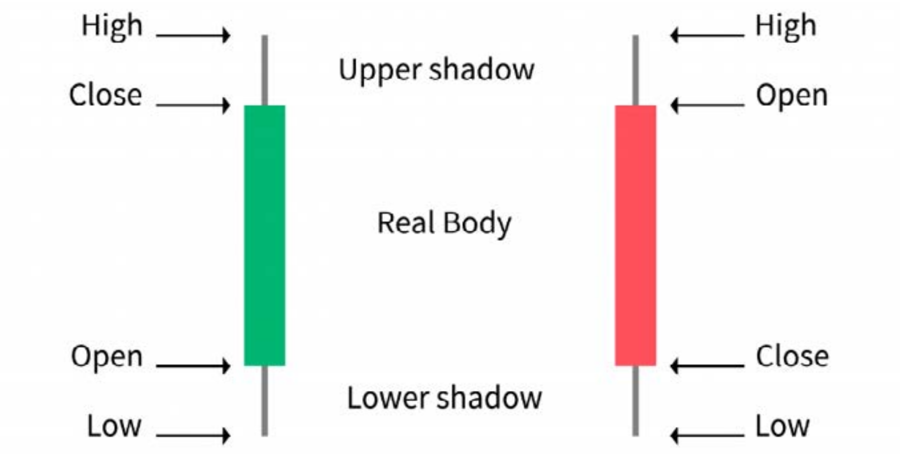
Understanding candlesticks is a fundamental part of trading, and as Day Traders we spend our days looking at charts filled with candlesticks. It's the movements, and characteristics of these candles that help us understand what the market is doing and indicate what we should and should not trade (these are what cause the patterns mentioned earlier). In this chapter I will walk you through what candlesticks are and how Day Traders use them.

We have already established that a trading chart is a visual representation of movements in price for a given market. These charts can be represented in a handful of ways, probably the most popular representation is through candlesticks. These charts can be viewed in different contexts when it comes to time, tics, volume, volatility, there are many to choose from. For my style of trading, I find the 5-Minute Chart one of the best micro trend trading charts in the world. A 5-Minute candle represents price movement that took place over a 5-minute period. We get a lot of 5-Minute candles every 24 Hours hence a lot of trading opportunities on a typical trading day.

So, in our case a candlestick is a representation of how the price of a market has moved up or down over a 5 Minute period. There are 2 kinds of candles, most commonly represented as either green or red. If a candlestick is green in colour, it shows us the market has moved up over the 5 minutes, and we say that it is a 'buyer owned candle'. Why is this? For the market to go up, there must be more buyers pushing the market up than there are sellers pushing the market down over the 5-Minutes. If the candlestick is red in colour, it shows the opposite. Sellers must have done a better job of pushing the market down than buyers did pushing the market up over the 5-Minutes. A red candle is hence known as a 'seller owned candle'.

There are 4 key components of a candle, no matter whether the candle is green or red. Each candle on a trading chart consists of a High, a Low, an Open and a Close. If you look at a candle you will understand how they get their names and their colours. The open and close make up the "real body" of the candle, the coloured bit of the candle if you will? The High and Low of each candle represent the sticks you see both above and below the candle. The stick above the candle is called the wick; just think a romantic dinner candle. The stick below the candle is called the tail; just think of a mouse's tail. The wick and tail are also commonly referred to as upper shadow and lower shadow.

Let's have a look at what a candle looks like, and how they are formed.



For a candle to be green, the candle starts at the open price and closes at the close price. That being the case, it would mean that the buyers were able to push the price higher over the life of the candle and we say that the buyers own the candle.

As you can imagine, for a candle to be red the opposite is true. For a candle to be red, the candle has opened at the open price and then fallen to close at the close price.
In this scenario the sellers were able to push the price of the market down over the duration of the candle so we say that the sellers own the candle.
These candles when lined up together will form patterns, some of which fall within

a certain trading strategy. This will tell a trader that it is a good time to either place a buy, or a sell trade.

A candle with a small body means that both the buyers and sellers pushed more or less as hard as each other and there was little movement after the end of 5 minutes. In this instance, the close price is fairly close to the open price and there is no real dominance by either the buyers or the sellers. These are called Doji candlesticks. Should the candlestick have a large wick above the candle and a large tail below the candle, this means that at some point in that 5 minute period there was dominance from both the buyers and the sellers but neither team could sustain their dominance.

Indecision in the markets is called 'sideways movement', or a period of 'consolidation', which could imply a potential reversal in some cases. I cover these in depth in the online trading courses I have developed. A long wick above the candle indicates to us a sustained buyer failure and hence the potential for a reversal short. A long tail below the candle indicates to us a sustained seller failure and hence the potential for a reversal long. Pure price movement trading can be a great deal of fun when you apply simple principles over and over again in the markets.

A candle with a large body means that either the buyers or the sellers have dominated the formation of that candle. If the candle has a long body and is green this means that the buyers owned the candle and if red, the sellers owned the candle. These candles can represent very good trading opportunities, especially when they are in favour of the trend. Watch for this in any of the live trading sessions I run or in any of the live trading classes I already have online. As a Futures trader, the size of a candle screams volumes for who is in command of the market and hence who you want to join with the intent of getting paid.

What the Candlesticks tell us

In the Green House market environment there are only 2 teams, namely the buyers versus the sellers, and the stronger team has to win. In the Red House, there are three teams, namely the buyers versus the sellers versus the brokers and the brokers control the price of the markets you are trading. I wonder who is going to win that battle? Can anyone spot a difference in these trading environments?

As a Futures Trader, I find that I am far more likely to read the markets well and hence trade successfully because of this 2 team market design. This gives me a number of advantages when compared to the other 'broker controlled' forms of trading that are also available to you.

Advantage 1 - The first advantage we gain is that the 'body' of the candle, the coloured piece, is a very accurate measure of how strong a team is. If a candle has a large body and is with the trend of the market, it is a very strong candle we would like to trade off. If a candle has a small body, or is against the trend of the market, we simply do not trade off it.

Advantage 2 – The trend for a Futures Trader is very easy to spot, using a simple trend indicator. As all traders globally see the same thing at the same time, the trends in a Futures Market literally become a self-fulfilling prophecy and are hence very powerful.

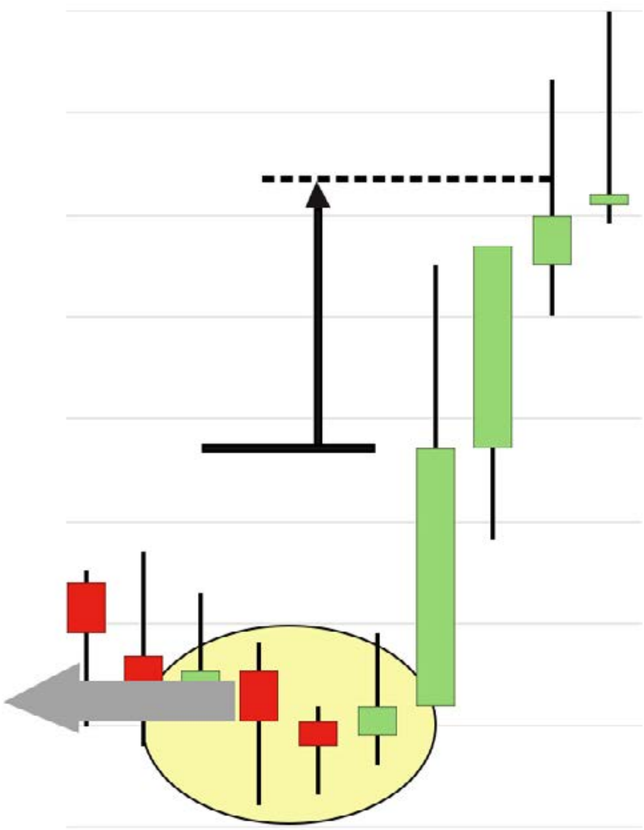
Advantage 3 - The volume of the market is one of the best indications of buyer or seller team strength in the markets. As a Futures trader I have 100% transparency of the volume of trading through the actual stock exchange with no filters in place. This means I get to make real decisions in real time based on real information. This allows me to draw very accurate conclusions on what the market are likely to do and as such make great trading decisions almost every trading day.

Green bodies with the trend

In the case of the image on the left, we are in an uptrend. This uptrend is denoted by the big green band running through the image. We will get to trends shortly. Can you see the big green bodied candle that I have placed the arrow underneath? Pretty obvious, right?

Can you see that the body of the big green candle is bigger than the candles before it in the yellow circle? A big green candle with the trend is a very strong candle and a great opportunity to take a very high probability buy trade.

Please note that if you did buy the market at the top of this big green candle, the market paid a $360.00 AUD target (the dotted line) in under 10 Minutes. Not a bad trade!
Please also note that all of the candles prior to the big green candle we have targeted are all small. Small candles are not strong in the Futures Markets and as such we do not trade off them.

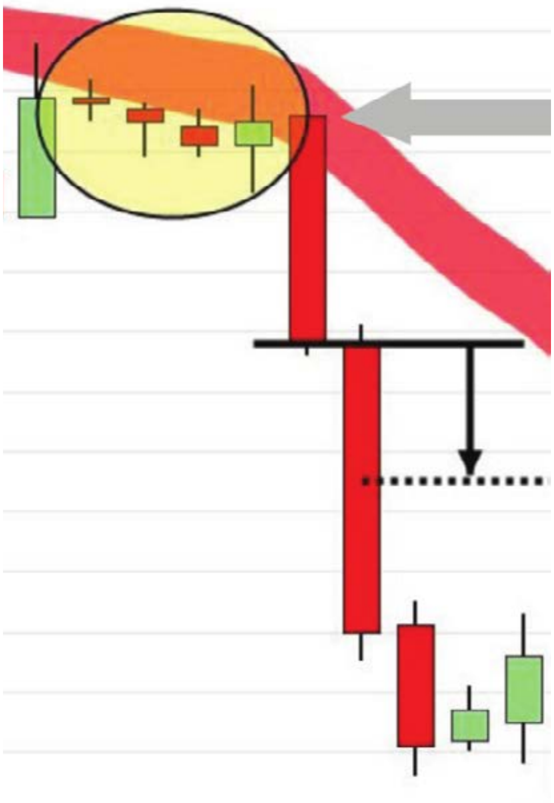


Red bodies with the trend

In the case of the image on the left, we are in a down trend. This down trend is denoted by the big red band running through the image. We will get to trends shortly.

Can you see the big red bodied candle that I have placed the arrow above? Again, pretty obvious, right? Can you see that the body of the big red candle is bigger than the candles before it in the yellow circle? A big red candle with the trend is a very strong candle and a great opportunity to take a very high probability sell trade.

Please note that if you did buy the market at the bottom of this big red candle, the market paid a $360.00 AUD target (the dotted line) in under 5 Minutes. Not a bad trade! Please also note that all of the candles prior to the big red candle we have targeted are all small. Small candles are not strong in the Futures Markets and as such we do not trade off them.



MEET SOME OF OUR MEMBERS

Below are some of the video testimonials our members have provided. Learn more about their journey's by watching their video.

Dani M - WA

October 2019

Dani is a mother of two, from Western Australia. She aims to be a 'More Present Mum and Wife'

Watch the Testimonial here >

Greg S - VIC

October 2019

'It's the People That Made the Difference in the Trading'

Watch the Testimonial here >

Nick S - WA

October 2019

'IDTA provide everything you need to know to trade successfully. The skills, the indicators, the platform, the education, everything's there'

Watch the Testimonial here >

Carmel D - QLD

October 2019

Carol has been working toward a 'transition of lifestyle'.Leaving her 12 hr workdays behind to focus on trading.

Watch the Testimonial here >

CHAPTER EIGHT

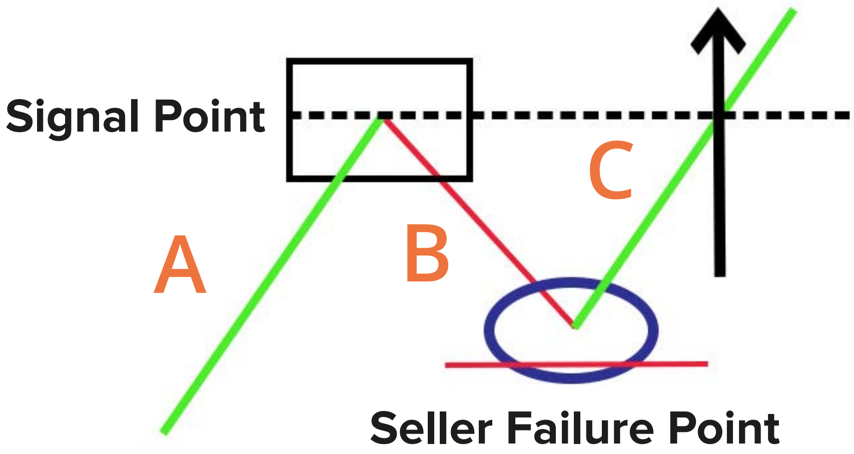
AN INTRODUCTION TO TRADING PATTERNS

Futures traders are able to profit by correctly predicting where the price of the market will be in the 'future'. This is done by observing patterns that indicate that the market will move one way or the other. There are many patterns that suit many strategies and markets, and the market tends to (mostly) follow them.

All Futures Traders Globally see exactly the same thing, at the same time. This is due to the exchange-centric nature of the data we trade from. This pure data means that good traders effectively all become Pattern Hunters. This reliance on patterns builds consistency, competence and profitability quickly. If the patterns compliment the markets own self-fulfilling prophecies, the patterns become even more powerful.

One of the simpler trading patterns to observe is the "ABC Pattern". In order to build an ABC Pattern, a trader is going to simply let the market tell them when to trade. I'll break down the below graphic to build the pattern.

Buyer ABC candles



When in an uptrend, we are always searching for Buyer owned ABC Patterns. A Buyer owned ABC Pattern is a pattern in which the Buyers are strong and the Sellers are weak. Let's measure this now.

1. Please note that the Green Leg, Leg A, is where we start to develop our pattern. The first leg in the pattern (Leg A) is a Buyer push in the market that has pushed the market up.

2. When the Sellers show in the market, we get Leg B and we colour the Leg B Red to represent these sellers. Please note that Leg B is not as big as Leg A, meaning the Sellers are failing to push the market down as much as the Buyers pushed the market up. There is a very big hint here for Futures Traders globally that the Buyers are getting ready to buy.

3. The third Leg in the pattern, Leg C, is a Buyer owned candle that is clearly bigger than Leg B. Leg C is bigger than Leg B simply because Buyers are stronger in the market than the Sellers. This is when we want to be backing the Buyers but be careful here.

4. As a 5 Minute Chart Trader, we must wait for the candle to count down to zero before we decide on its colour. We must also wait for the candle to close over the 'Signal Point' before we place a trade. The moment a candle closes over the Signal Point, the Buyers have proven their strength in the market and we want to be joining them immediately for the run up.

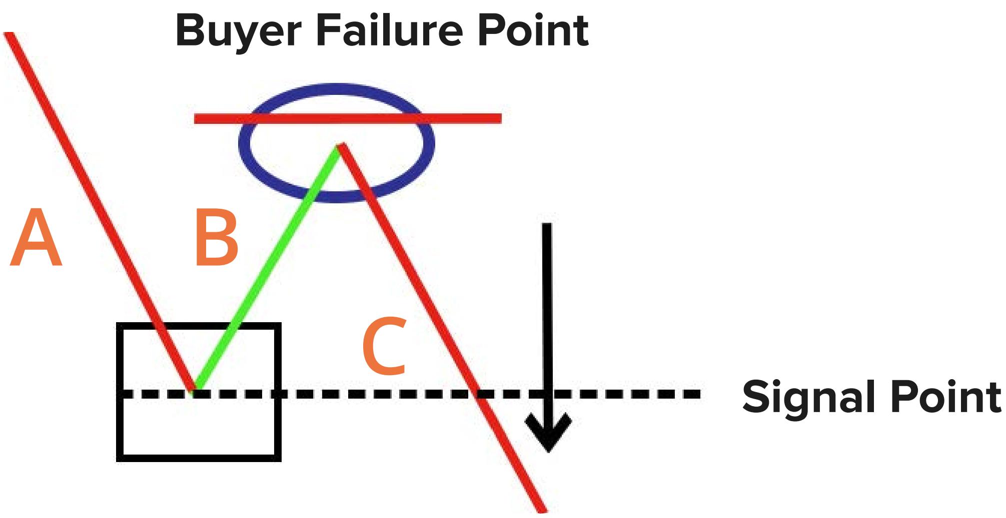
5. Let's work through a chart example so you can see exactly what I mean.

The Image to the left is a 5 Minute Euro Chart with the uptrend (Green Band Indicator) clearly in favour of the Buyers.

Can you see Leg A (Green), Leg B (Red) and then Leg C (Green) with a Seller Failure Point inside the yellow circle? This style of ABC Pattern is one of the best buy signals I have ever taught in the Futures

Markets and when it is traded at the right time, in the right markets, with the right targets and the right stop Strategy in place, it is a very robust strategy indeed.

Seller ABC candles



When we are in a downtrend, we are always searching for Seller owned ABC Patterns. A Seller owned ABC Pattern is a pattern in which the Sellers are strong and the Buyers are weak. Let's measure this now.

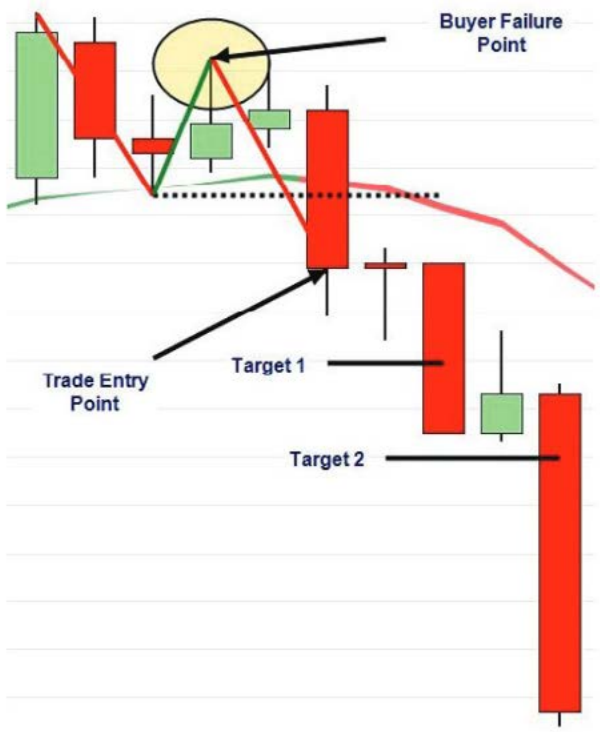
1. Please note that the Red Leg, Leg A, is where we start to develop our pattern. The first leg in the pattern (Leg A) is a Seller push in the market that has pushed the market down.

2. When the Buyers show in the market, we get Leg B and we colour the Leg B Green to represent these buyers. Please note that Leg B is not as big as Leg A, meaning the Buyers are failing to push the market up as much as the Sellers pushed the market down. There is a very big hint here for Futures Traders globally that the Sellers are getting ready to sell the market.

3. The third Leg in the pattern, Leg C, is a Seller owned push that is clearly bigger than Leg B. Leg C is bigger than Leg B simply because Sellers are stronger in the market than the Buyers. This is when we want to be backing the Sellers but be careful here.

4. As a 5 Minute Chart Trader, we must wait for the candle to count down to zero before we decide on its colour. We must also wait for the candle to close over the 'Signal Point' before we place a trade. The moment a candle closes over the Signal Point, the Sellers have proven their strength in the market and we want to be joining them immediately for the rundown.

5. Let's work through a chart example so you can see exactly what I mean.



The Image to the left is a 5 Minute Euro Chart with a trend change from up (green) to red (down) and as such a great time to be pattern hunting. Can you see Leg A (Red), Leg B (Green) and then Leg C (Red) with a Buyer Failure Point inside the yellow circle?

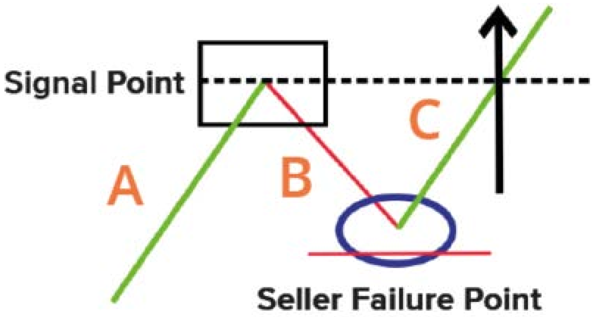
In the case of both charted trade examples, the market has gone well beyond both Target 1 and Target 2. Target 1 is $360.00 AUD and Target 2 is $720.00 AUD per contract traded.

In both examples, this $720.00 AUD target was paid in under 20 Minutes. This shows it is a great idea to become good at trading ABC patterns.

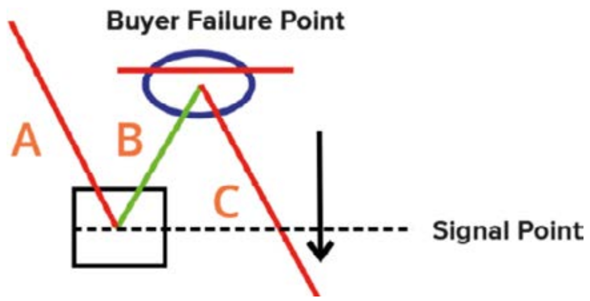
ABC pattern risk control

Risk control as an ABC Pattern trader is again not a complex process due to the design of the Futures Markets. Because every trader globally has 100% transparency of the markets, and every aspect of the markets, every trader can see when a certain team is failing and also when a certain team is succeeding. As such, every trader can see the 'Seller Failure Point' in the ABC Pattern Below.

As the entire market failed to go down at this exact point, and every trader globally can see this failure point, just below this point is a great place to put a stop-loss. Your stop loss should be positioned as per the red line in the image below. You will find that this is a very safe spot for your 'stop-loss' and will enhance your signal success rate significantly when you are buying the markets.

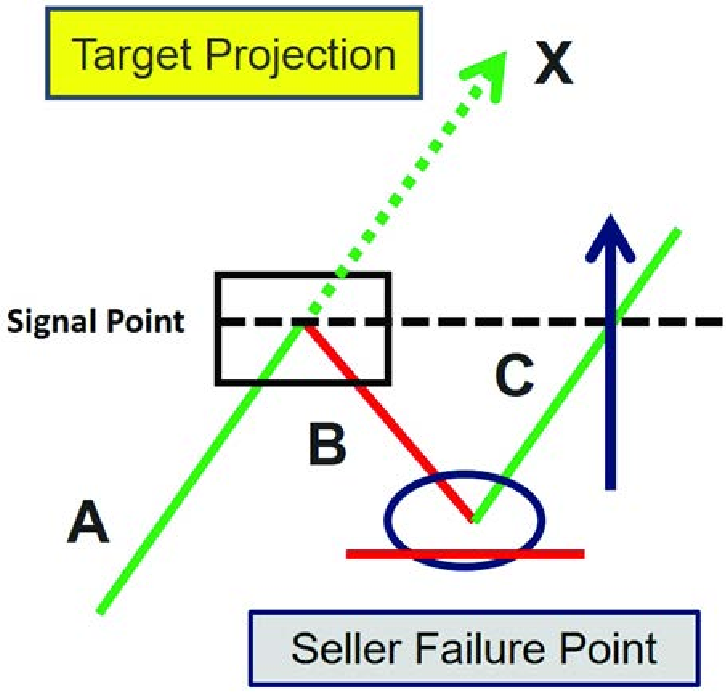


As we have already established, due to the global transparency of an Exchange Traded Futures Contract, every trader globally sees every aspect of the market, every second of the day. As such, every trader globally can see the Buyer Failure Point in the above pattern and can hence use this information to their advantage. The above Buyer Failure Point is a great spot to position your stop-loss to result in a high signal success rate on your selling trades.



ABC buyer target setting

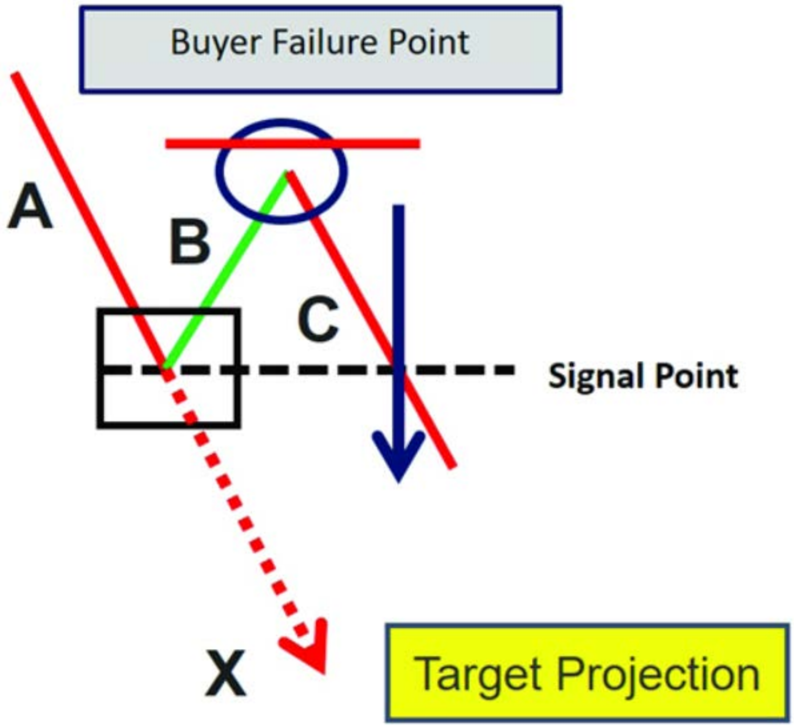
As the ABC Pattern is based on the pure price movement of the market, our intent is to use this price movement to suggest high probability trading targets regardless of the market you are trading in.



Leg A of your ABC Pattern is proof that the Buyers have the power to push the market up and they have the power to push the market a certain distance. All we need to do is grab this 'distance' and simply project this distance up the chart from your 'Signal Point'. The green dotted arrow on the image above to 'Point X' is a very effective target projection for buying based ABC Patterns.

ABC seller target setting

As the ABC Pattern is based on the pure price movement of the market, our intent is to use this price movement to suggest high probability trading targets regardless of the market you are trading in.



Leg A of your ABC Pattern is proof that the Sellers have the power to push the market down and they have the power to push the market a certain distance. All we need to do is grab this 'distance' and simply project this distance up the chart from your 'Signal Point'. The red dotted arrow on the image above to 'Point X' is a very effective target projection for selling based ABC Patterns.

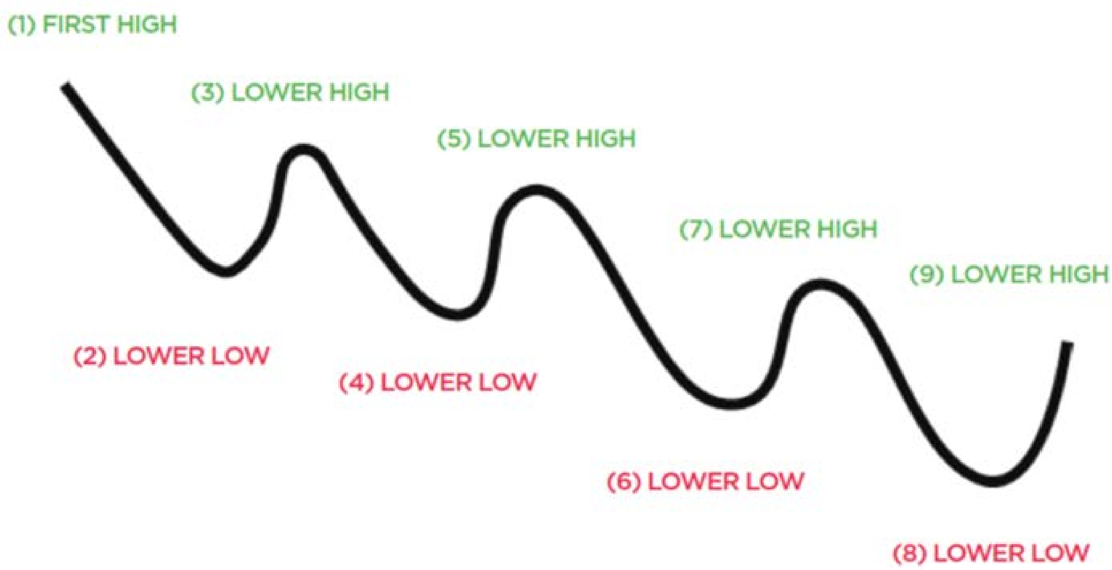
CHAPTER NINE
TRENDS AND REVERSALS

When the market is in a trend, a particular team, either the buyers or the sellers, is in command of the market. If we are in an uptrend, the buyers are in command of the market. If we are in a down trend, the sellers are in command of the market.

Whenever we trade, we always want to be trading with the trend, often called 'trading in favour of the trend', as it will have a profoundly positive effect on our trading.

We want to trade with the trend as for 4 very good reasons:

1. Our signal success rate will be naturally far higher;
2. Our trades will tend to target out far faster;
3. Our trades will carry less risk; and
4. Our stop-loss will hardly ever be hit.



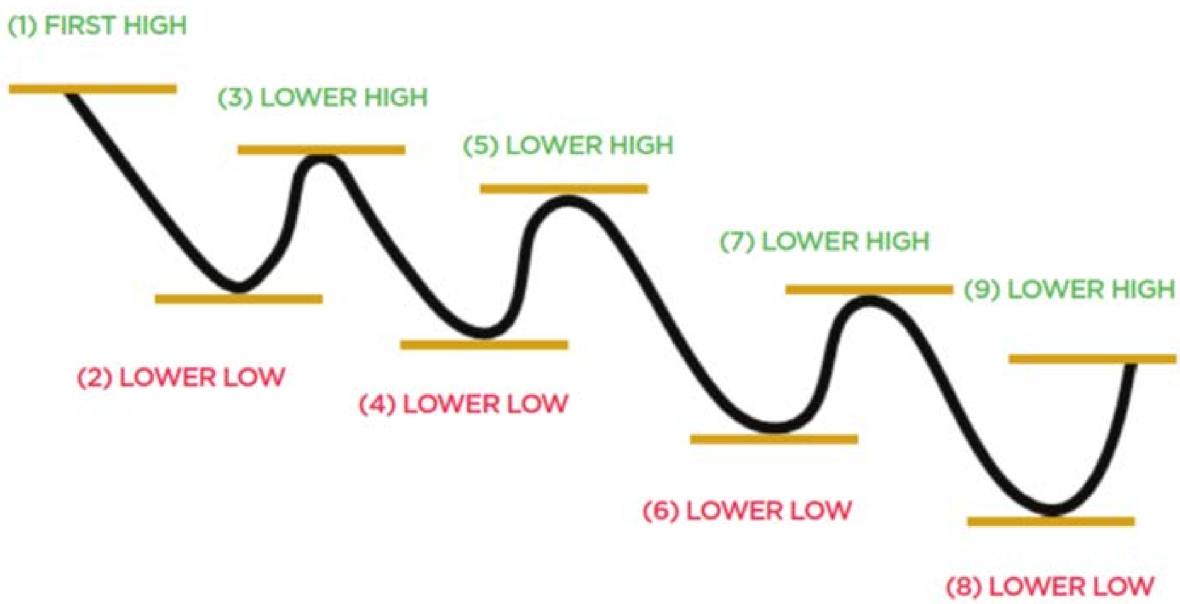
When the market is in a downtrend, the chart will show you a series of lower highs and lower lows, almost like a stair step down in your house.

All you need to do to start drawing a stair step is draw a line from the 'first high' (1) to the 'lower low' (2). Then draw a line from (2) back up to (3).

Now connect (3) to (4), then (4) to (5), then (5) to (6) and so on. Guess what, you are stair stepping with the market. When the market is stair stepping down, sell signals will always prove to have a higher success rate than buy signals and will also pay you faster and have less risk. This is called trading with the trend and is my absolute preferred style of trading.

Making the stair step of the trend

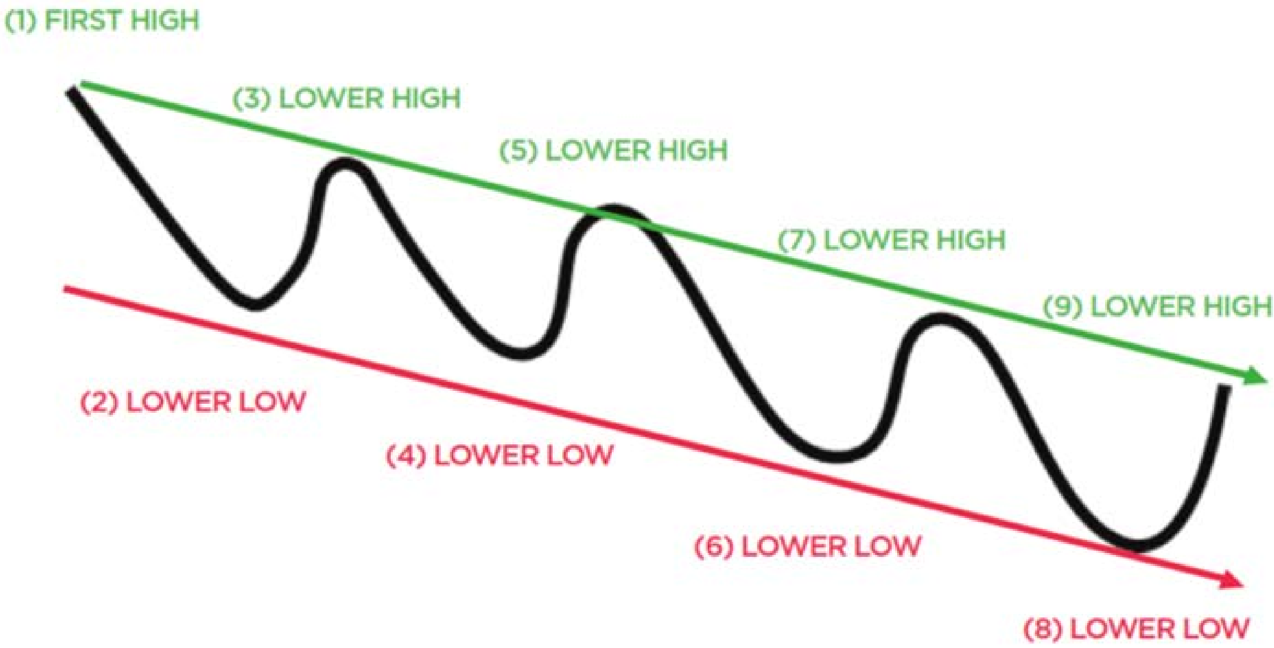
When the market is in a downtrend, it is quite easy to mark the stair step as the market moves down. All you need to do is draw a line at each 'peak and trough' in the market and it will look a lot like a stair step.
All I have done below is place a blue line on each peak and trough and it quite quickly starts to look like a stair step down. As much as this may seem a little simple, trading a trend is actually one of the strongest trading strategies you can use.



Making a trend line down

Many traders I meet globally love to mark trend lines on their charts in order to determine what trend we are in. They use these trend lines to confirm they are in a trend and then seek to trade with that trend.

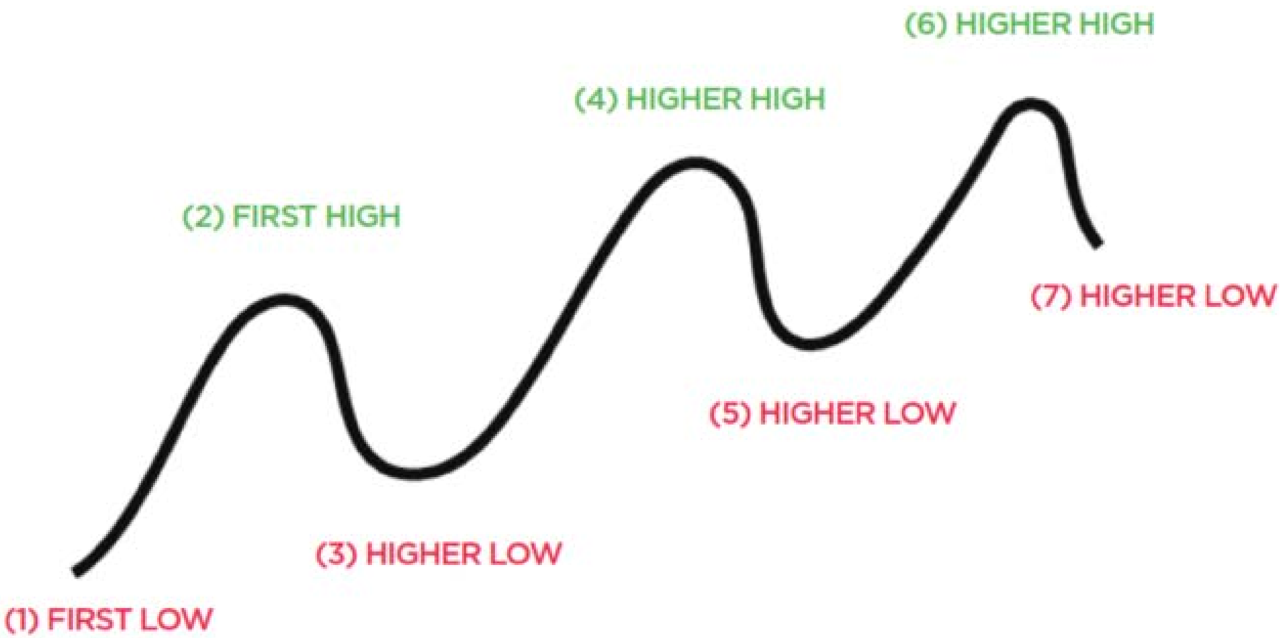
As much as it may sound a little complicated, it is quite easy to do well so let's work through an example. All we need to do is join the highs to the highs and the lows to the lows and guess what, we have a correctly marked trend line. The green trend line maps the approximate buyer failure points and the red trend line maps the approximate seller failure points.



Spotting an uptrend

When the market is in an uptrend, you are seeking to mark the higher highs and the higher lows, identically to what you have just done, just in the opposite direction. All you need to do, to start drawing a stair step up, is draw a line from the (1) to (2), then draw a line from (2) to (3), then (3) to (4), then (4) to (5), then (5) to (6) and so on.

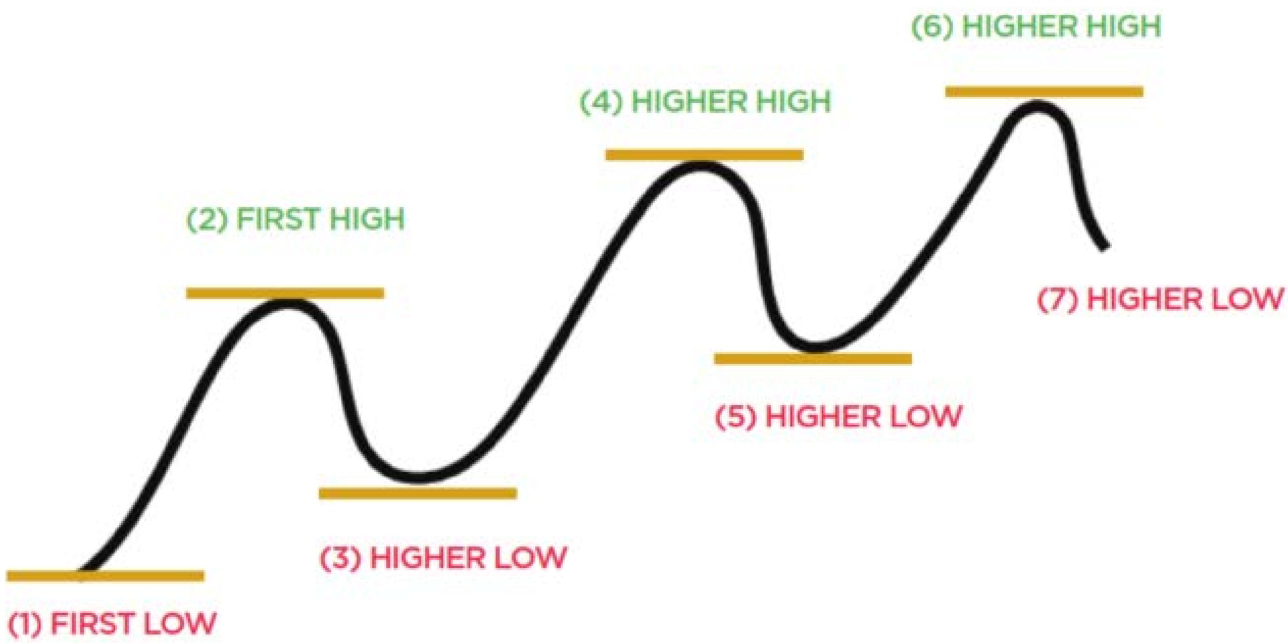
When the market is stair stepping up, buy signals will always prove to have a higher success rate than buy signals and will also pay you faster and have less risk.



Stair stepping an uptrend

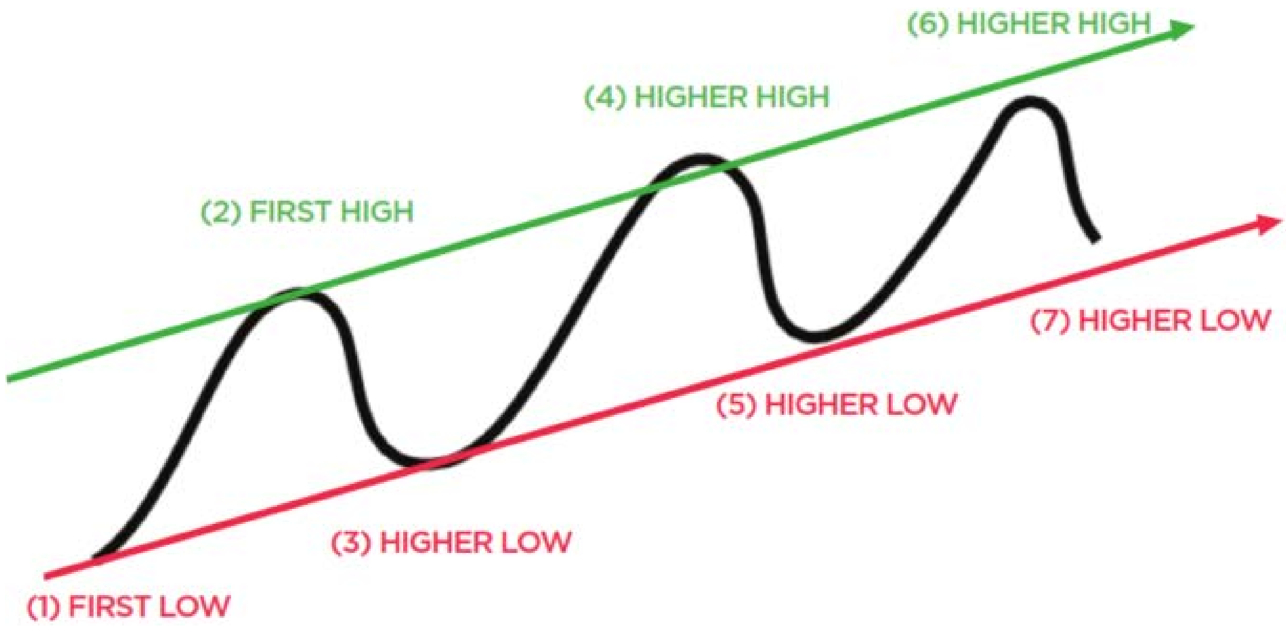
In an identical nature to stepping a down trend, we can also step an uptrend by marking the ebbs and flows of the market as it moves. This 'stepping' in the market is the foundation of the ABC Signal. Suffice to say, stair stepping in a market that has only two teams, Buyers and Sellers, is particularly powerful indeed.

All you need to do is market the high and low of each move and you may start to see a 'staircase' in the market. If so, the market is moving strongly and it is great to take advantage of with any valid buy signal.



Making trend lines up

When the market is moving up, trend lines are equally as helpful. Once again, all we need to do is join the highs to the highs and the lows to the lows and guess what, we have a correctly marked trend line. The green trend line maps the approximate buyer failure points and the red trend line maps the approximate seller failure points. You may start to see that the Steps in the market are starting to become easier to see. It is these exact steps that we use to hunt for ABC Trade Patterns in the Market.



CHAPTER TEN

SETTING TRADING GOALS

In my own personal trading, daily and weekly goals are critical to managing both my expectations and also my performance. These KPIs (Key Performance Indicators) are a key component of your trading plan. There are many traders I meet globally who think that complexity is the key to success in trading, and I can tell you right now, that is certainly not the case.

The simplest trading plans will always win. Humans seem to be romanced by complexity, especially in trading, yet I believe, the moment you bring complexity into trading, you are taking steps toward your demise.

Complex trading systems may work for the ultra-intelligent sure, but I am not one of those people, I believe the simpler the better.

One of the foundations to keeping your trading simple, and also keeping yourself accountable in your trading journey, is accurate and reasonable expectations. By this I mean setting a realistic expectation for yourself, your strategy, and the market you are trading. One of the fastest ways to develop and test a realistic expectation on all three is to conduct a profit forecast and establish KPIs for your journey.

With KPIs established, you can get on with the job of being a great trader and staying accountable to your profit forecast along the way.

Setting expectations and KPIs

For the sake of illustration, let's introduce Bob; Bob has decided that he would like to make $100,000.00 out of trading and wants to achieve this in his first 12 months of trading. How would Bob create a plan to meet this goal?

I have designed a custom forecasting tool to develop trader specific KPIs for every trader I teach. In the case of the table below, we have stated that Bob will start with an $8,000.00 trading account and seeks to achieve a target of only 10 Tics per day. Bob wants to be conservative so he forecasts a 4 Day Trading Week as opposed to a 5 day trading week. We have also placed a glass ceiling over Bob's performance, limiting Bob to a 10 Contract position. Some traders trade up to 200 contracts so I hope that you do not mind the conservative approach I am taking.

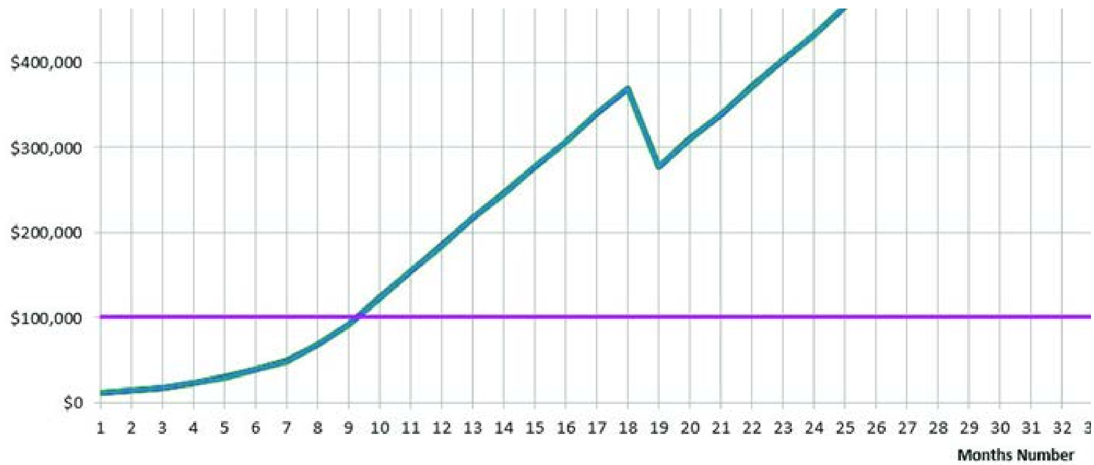
IDTA 2020 Day Trading Projection Training

Calculate Avg Tick Value	Value Per Tick	18.50
	Day per Week to Trade	4
	Avg Daily Tick Equivalent	$14.80
Daily Targets (in ticks)	Daily Desired Target	10
	Minimum Target	10
	Maximum Target	10
Trading Account Values	Account Starting Value	$8,000
	Contract Step Up Point	$8,000
	Contract Gap	10
Targets & Withdrawals	Account Target Value	$100,000
	Monthly % Withdrawal	0

Note that the target account size for Bob, is also $100,000.00, exactly what Bob has asked for. What we end up with are two critical pieces of information. Firstly, we seek to know if the goal is realistic, taking these parameters into account. To do this we simply refer to a forecast curve. Each of our members use this exact curve when starting out.

In the graph below you can see Bob's target of $100,000.00 represented by the purple line, and Bob's projected performance represented by the green line. The graph below demonstrates that Bob's goal of $100,000.00 within 12 months can be achieved mathematically, should he be able to achieve an average performance of "10 Tics per day, 4 days per week" as per his trading plan.

If you look at the projection you can see that if Bob can stay on track, thanks to compounding of Bob's account, this takes the return over the first 24 months to over $400,000.00. This is all achieved without making any changes from his original plan. Sounds like a big figure, sure, but the figure takes the advantage of consistency and compounding. It is important to note that Bob will need to stick to his trading plan, be disciplined with himself, manage his risk very well and be super consistent if he is to achieve this goal. The graph highlights the power of a small trade executed very well every day with the intent of increasing the size of your trade every time your account grows high enough to do this safely.



Because Bob has set himself a specific goal, it is easier for him to stay on track and to gauge whether or not he is on target to achieve his goals.

By now the message should be fairly clear, it is important to plan, and to stick to that plan, no matter how much you'd like to deviate (trade more contracts for example). I often say "go slow to go fast" and it is the Bob scenario that proves my intent. If you go too hard, too fast, you risk complete failure. If you try and speed up a compound curve, you are likely to blow up that curve.

If you look at the graph above, the compound effect sets in and your slow growth progressively becomes faster without changing anything in planning or strategy.
I believe it's a fair return, and you may agree, for Bob's hard work in remaining disciplined, patient and focused on his strategy.

Of course, we know that Bob will have losing trades along the way, and he will have setbacks, but his ability to control his emotions would ultimately reward him well. As with any trading strategy it is important to note that past performance is not indicative of future performance as we don't have a crystal ball as to what the markets will do next. However, proven consistency over a long period should indicate a strategy with good fundamentals and risk control.

CHAPTER ELEVEN

PUTTING IT ALL INTO PRACTICE

Now that you have an understanding of simple patterns, it's time to put this knowledge into practice. Now, don't go open a live account right away, I know it's tempting. It's imperative that you open a simulated account (paper trading account).

Opening a simulated account in order to practice will allow you to trade without risking real money. A simulated account will allow you to trade pretend money. When you have proven to yourself that you are able to be consistent in profiting and controlling risk should you open a live account and trade with real money.

There are many options for opening simulated accounts, via stand alone platforms as well as platforms offered by brokers. At the International Day Trading Academy our preferred platform is Ninja Trader. We recommend practicing on this platform, especially if you choose to learn to trade with us as that is the platform you will be using.
Using Ninja Trader we are able to trade data that comes directly from the exchange, meaning we get the true price. Ninja Trader also offers market replays, meaning that you can trade at any time of the day based on what the market has done in the past.

We have established already that the psychology of money is a big part of trading (the biggest part), so it is so imperative that you practice. Keep in mind also that you should trade your live account in the same way as you would on a simulated account, don't let the emotions creep in now that your own money is at risk.

Do these things and you have given yourself the best chance at being a successful Day Trader.

Good luck, and see you in the markets!

CHAPTER TWELVE

TRADING TERMS AND DEFINITIONS

Long: A Long position is a buy trade. A trader will take a Long position in the market if they believe that price will move up. The goal is to sell at a higher price and profit.

Short: A Short position is a sell trade. A trader will Short the market if they believe that price will fall. The goal is to buy back at a higher price and profit.

Margin: Margin is money borrowed from a broker to make an investment. Margin is used as a way of leveraging funds in order to increase profit. The same is true for losses, a loss will be heavier if leveraged.

Margin Call: A margin call refers specifically to a broker's demand that an investor deposit additional money or securities into the account so that it is brought up to the minimum value

Gap: A gap is when a trading instrument, opens above or below the previous day's close with no trading activity in between.

Tick: A tick is a measure of the minimum upward or downward movement in the price

Bear Market: A market in which price is falling

Bull Market: A market in which price is rising

Index: An index tracks the price of an asset or group of assets. Index futures are derivatives meaning they are derived from an underlying asset—the index. Major indices include; S&P500, NASDAQ, DAX etc.

Commodity: A commodity is a basic good used in commerce that is interchangeable with other goods of the same type. Traditional examples of commodities include grains, gold, beef, oil, and natural gas.

CHAPTER TWELVE

TRADING TERMS AND DEFINITIONS

Futures: A term used to designate all contracts covering the purchase and sale of financial instruments or physical commodities for future delivery on a commodity futures exchange.

Futures Contract: A futures contract is a legal agreement to buy or sell a particular commodity asset, or security at a predetermined price at a specified time in the future.

Volume: Volume indicates the number of stocks or contracts that change hands over the course of a session. Higher volume typically means higher volatility as it becomes easier for the market to make a move.

Volatility: Volatility describes large swings in the market. Volatility can offer the opportunity to make larger profits, however a volatile market is often riskier than normal market conditions.

Setup: A setup is a particular configuration of trading price bars, usually with one or two other confirming conditions like a pattern or an indicator, that delivers an expected outcome in a high proportion of trades.

Trend: A trend is the overall direction of a market. In technical analysis, trends are identified by trendlines or price action that highlight when the price is making higher swing highs and higher swing lows for an uptrend, or lower swing lows and lower swing highs for a downtrend.

Broker: A Broker sits between the trader and the exchange and facilitates the execution of trades. We do not need this middleman to trade Futures and therefore connect directly to the exchange.

Exchange: An exchange is a marketplace where securities, commodities, derivatives and other financial instruments are traded.

OTC: OTC stands for Over The Counter and refers to trades executed via a dealer network (broker) as opposed to on a centralized exchange directly.

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