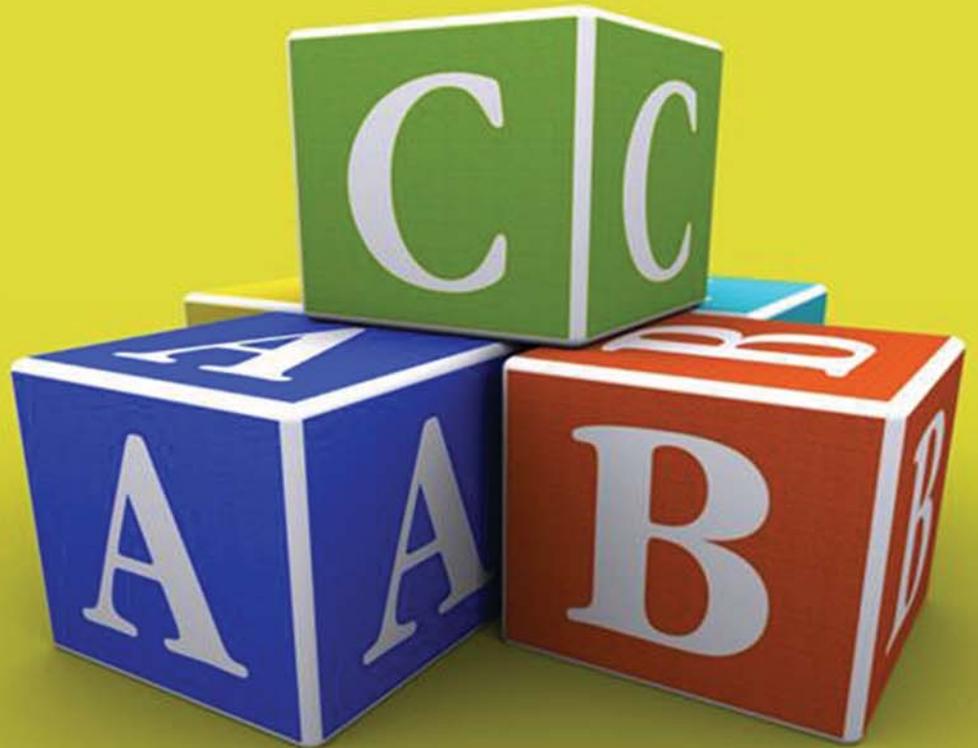


Trading

Made

Simple



Easy

as

1-2-3

Discover The Path of
Least Resistance
To
Successful Day Trading

by Leroy Rushing

Trading Made Simple

Discover the Path of Least Resistance to Successful Day Trading

Key Points:

- The stock market is volatile; be prepared to lose trades
- As a beginning day trader, start with very low risk tolerance and move up as you gain experience
- Start by paper trading - learn your craft without risking your own capital!

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Trading Made Simple

Discover the Path of Least Resistance to Successful Day Trading

Key Points:

- Learn about professional day trading from the ground up
- Basic concepts in this ebook include trading strategies, trading habits, trading psychology, creating a trading plan, and managing your business
- This ebook is a starting point for you -- there are many resources available to help you along the way!

Trading Made Simple

Discover the Path of Least Resistance to Successful Day Trading

Introduction

Congratulations!

You have taken the first step towards realizing your dream of becoming a full-time stock trader. It's a profession that I have grown to love, and one that has been quite financially rewarding to me. Take a moment to look towards your own successful future. Enjoy it. Feel the excitement. Feed on the anticipation.

Are you ready? Then take a sip of coffee and let's get to work!

Who Should Read This eBook - and What You'll Learn

Trading Made Simple is aimed at everyone who is interested in becoming a day trader, but knows very little about the stock market itself. We'll go over some very basic concepts as well as help you understand what it takes to make a trading plan, and most importantly stick to your trading plan. We'll also talk about some specific trading strategies, a little bit about trading psychology, and how to build your skills, confidence, and good trading habits.

This ebook will also point you in the right direction for other resources. You will need them. The only way you will become successful is to create a solid trading plan and stick to it. This may take several weeks of time



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Key Points:

- You spent years at school -- a few more weeks or months ensuring you gain the knowledge and skills you need will go a long way to helping you become a successful professional trader
- Look up any terms you don't understand in this ebook using your favorite search engine

and study to prepare. But just think about how much time you spent at school - a few more weeks to get ready for the job of your dreams is not that big a sacrifice!

A Note About Terminology: The terminology in this ebook is fairly basic, even for the beginner trader. But if you come across a term you do not understand, take the time to look it up on the Internet before moving on.

Trading Made Simple

Discover the Path of Least Resistance to Successful Day Trading

Key Points:

- Professional trading involves real risks
- Up to 90% of beginner day traders are broke within a few months -- do everything you can to ensure you are not one of them!
- Prepare yourself with the tools you need to succeed, and make sure you have solid financial and trading plans

Overview of Professional Day Trading

There is a definite lure to day trading. Images of fighting it out in the pits at the New York Stock Exchange, the excitement of finding that "perfect setup" in your charts, making the big score. It all comes down to that famous quote from the movie Wall Street when Charlie Sheen asks Michael Douglas: "How many yachts can you water-ski behind?"

But let's step back from the glitz and the glamour for a minute. Like many things, real life is often a far cry from Tinseltown storytelling. This is not a film and we are not movie stars. These are real risks involving real money, and there is nothing fictional about the number of beginner day traders who get bounced out of the market every day. Most of them are more worried about what they are going to name all their yachts than concentrating on the trade in front of them.

Do You Have What It Takes To Make It As A Professional Day Trader?

Up to 90% of beginner day traders are broke within the first few months. The biggest reason for this is that they had no clue what they were up against and never put together either a business or trading plan. Simply put, they were not prepared. It would be like sending a gladiator out to the ring with no armor, no weapons, and no training. Not hard to imagine what is going to happen there...

You need to arm yourself, protect yourself, and train yourself - or at least find out where to get your training - if you want to succeed. In other words, you need to find the knowledge and skills to make successful trades, create back-up plans to protect your investment capital,



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Key Points:

- Your first goal is to preserve your trading capital. Making profit is always secondary.
- Devise a good risk management plan
- Always follow your pre-determined strategy!

and hone your skills so that you can make the most out of every trade.

This ebook is a great place to start. But it is by no means the end. Throughout this ebook, we will show you how to find various resources to help you gain that knowledge and create a successful plan.

The Basics of Trading

What is your number one goal when stock trading? Making money? Making as much money out of every trade as possible? Finding the "sure bets" so that you can put all of your money into one trade, get out, and take the rest of the day off?

In fact, it is none of the above. And incidentally, they can all be a recipe for disaster.

The number one goal when stock trading is to **protect your investment capital**. In other words, you need to avoid losing money. The rationale is simple: if you have no investment capital left, you cannot trade.

The act of protecting your money is called risk management. This includes a number of different features, but essentially it means that before every trade, you know (a) where your profit target is, (b) when to get out if the trade is going bad (your stop-loss point). Then, most importantly, you follow that plan no matter what. Even if the stock you picked is shooting way past your profit target, you need to follow your strategy as planned. Besides, trades that shoot up so quickly have a nasty habit of falling even faster. Getting greedy can cause you to lose the profit you already made plus your investment capital. Don't fall into this trap!



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Key Points:

- You are guaranteed to lose trades -- nobody can have a “perfect record”
- As you develop your skills, shoot for a 65% successful trading rate
- Don't let previous losses (or wins) impact your next trade

Developing Your Trading Plan

In order to become a successful day trader, you need to develop a trading plan. And in order to develop a trading plan, you need to develop the skills and techniques that will help you complete successful trades.

There is no one strategy that is a "sure thing." In fact, you are guaranteed to lose trades.

It's important to remember this fact - even the best traders feel that a success rate of 65% is a good average. The market operates by its own factors, and you are simply trying to measure those factors. In truth, there is no way to measure every factor, so the market is bound to do something that you (or anyone else) cannot predict.

To make matters even more complicated, a trading strategy that works well today may not work well tomorrow.

The important thing to remember here is that you do not let the outcome of your previous trade impact your current one. If you start to feel fear, greed, or any other emotion creeping in so that you cannot concentrate on the trade in front of you, close your positions and take a breather.

A good trading plan will include:

- A set of trading techniques, and a firm grasp on how to use them
- A solid knowledge of chart analysis
- Contingency plans for certain eventualities like a consecutive number of losses, certain market factors, loss of confidence, etc.
- A good method of tracking your own trades including profit/loss
- A way to analyze your trades to improve your techniques by

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Key Points:

- Controlling emotion is key to consistently successful trading
- Emotions like greed, fear, self-doubt, over-confidence, and a sense of "luck" can threaten the success of any given trade(s)
- You can be your own worst enemy -- learn to recognize signs of emotional impact and how to deal with them

squeezing out more profit or identifying bad trades faster

- Flexibility to allow you to adopt whole new techniques as market conditions warrant. (For example, your trading strategies are different in a bear market than in a bull market.)

Controlling Emotion

Day trading is a discipline, and at its purest form it is emotionless. In fact, trading without emotion is one of the keys to your success. This is difficult since having emotions is a big part of what makes us human. But if we cannot control our emotions, we are doomed to failure.

This is called "trading psychology." As you'll find out, there is a whole list of emotions that constantly tug at you during each and every trade. Greed, fear, self-doubt, elation, over-confidence, under-confidence, paranoia, "luck," depression - for many traders the biggest challenge in day trading is to overcome these emotions, to block them out while they trade.

Even seasoned trading professionals sometimes fall into the trap. This is not as surprising as it may sound. Consider professional athletes who go to sports psychologists to "get their head back in the game." Often the problem is not outside forces, but how we process what is going on internally.

In other words, we can be our own worst enemy. Over-thinking our next move or allowing emotions to sway our trading decisions will ultimately hurt our trading. If we do not recognize it and control it fast enough, it could threaten our investment capital and our trading career. The difference between experienced and beginner traders is that the



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Key Points:

- Decide what kind of trader you want to be
- The SEC will not let day traders trade if they have less than \$25,000 in their trading account
- Low-balance day trading is possible under certain circumstances

experienced ones recognize the signs and take steps to stop it before it wipes them out.

Determining Your Trading Status

Before you are able to decide on strategy and trading plans, you need to first establish what type of day trader you are. In 2001, the Securities and Exchange Commission (SEC) started to regulate day trading activities. There are two crucial parts to this: (a) that a day trader is anyone who opens and closes four positions in five days and (b) that a day trader must have a minimum balance of \$25,000 in their account as of that day's market open in order to initiate a trade.

These regulations were put in place to protect traders and brokers. By instituting this minimum account balance, it lessened the chance that a new trader could be wiped out - often leaving the broker on the hook if the trader lost a position opened on margin. It may have also underlined the fact that day trading is an inherently risky business - and that you had better know what you are doing before you step into the ring!

This ebook assumes for the most part that you have over \$25,000 in trading capital. However, if you do not meet the \$25,000 minimum requirement, there are still ways that you can day trade. Many of the same rules outlined in this ebook still apply as well. But you may want to refer to *Little Fish, Big Pond: How to Start Day Trading With Minimal Start-Up Capital (and NOT Get Eaten Alive!)* for a more in-depth look at successful low-balance trading techniques.

Other Resources

The concepts touched upon in this chapter will be explored further in this ebook. However, there are a number of great resources for beginners right



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on the Trading Everyday website, including:

Tools of the Trade: An Introduction to Professional Stock Trading
<http://www.tradingeveryday.com>

Trading Everyday Coaching
<http://www.tradingeveryday.com/Coaching.html>

Little Fish, Big Pond

<http://www.tradingeveryday.com/Products.html>

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Key Points:

- Different emotions can come into play while you are trading
- Plan your trade, then trade your plan
- There is no way to "shut off" our emotions, but we do have to learn how to ignore them while trading

Trading Psychology

Trading psychology is a whole subject on its own, and there is no way we could cover all of its nuances here. Perhaps the best way to explain it is to tell you how it can affect your trading and give you some basic tips on overcoming its negative effects.

There are many different emotions that come into play when you are trading. The two most common are fear and greed. Fear can cause you to second-guess your decisions, make irrational trades, and cause undue stress. Greed can also make you second-guess your decisions (usually in the form of a "gut" feeling that you should grab just a little more profit...) and open you up to undue risk.

Until you experience it yourself, there is no real way to explain how powerful these emotions are. But as a beginner trader, you need to be aware that these emotions are out there, and have the potential of ruining you financially.

Plan Your Trades, and Trade Your Plan

Even if you are not a "trekkie," almost everyone knows about Spock from Star Trek. His logical Vulcan side was continually at odds with his emotional human side; it made for great TV when his emotions got the best of him!

You need to focus on controlling your emotions as well. There is no way to deny our emotions - we are human, and emotions are a natural part of our everyday life. Letting your emotions get the best of you won't lead to "great TV" but



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Key Points:

- Follow your trade execution plan without second-guessing yourself
- The Knowledge, Attitude, Skills, and Habits (KASH) system can help you keep your mental focus

could lead to huge financial losses in your life.

On a basic level, the best way to combat this is to have a detailed and precise trading execution plan for every trade you initiate. Then it's just a matter of following the numbers. Open your position at your pre-determined entry point. Enter your stop-loss point, and slide it along with the price trend as necessary. Get out at your pre-determined exit point. As long as you follow this plan to a 'T' then neither fear nor greed can affect the outcome during your open position.

How to KASH In

But what if it affects you before you open your position, and you've made a wrong decision right from the start?

This can certainly happen as well, though usually this is a sign that your emotions are now undermining your confidence. As with anything in life, confidence comes from being comfortable and familiar with a situation. The proper knowledge, attitude, skills, and habits will help you build your confidence, and make you less likely to succumb to your emotions.

Knowledge, Attitude, Skills, and Habits, or "KASH" is a set of guidelines to help you combat your emotions and avoid costly mistakes. But remember **no plan is foolproof!** Even seasoned pros lose their focus from time to time. The difference is that they are more likely to realize it and will get out of the markets before too much harm is done.

Knowledge - this is a key component of getting ready for your trading career. You need to learn a lot of information like different trading techniques (and when to use them), how to do chart analysis, how to manage risk, how to "run your own business," learning when to trade and when to walk away from the markets, how your specific trading products work, how to use market information to your advantage, etc. etc. Expect to spend weeks if not months gathering this knowledge - the better prepared you are before you start trading, the more likely you are to succeed.

Trading Made Simple

Discover the Path of Least Resistance to Successful Day Trading

Key Points:

- Don't become overwhelmed with the fact that you are trading in the "big leagues"

Attitude - this relates directly to trading psychology. How do you feel right now? How could those feelings impact your trading? You may have a touch of the flu, you may feel mentally unfocused, you may even be extremely happy and overconfident. You need to keep balanced mentally and emotionally. If you cannot do that, don't trade that day - or any day - until you recover your balance and control over your emotions.

Skills - this is putting your knowledge into action. Trading Everyday highly recommends that you enter the markets slowly. For example, when you first start out you should never have more than one position open at a time. And be more conservative in your profit targets and stop-losses - remember that your primary goal is to preserve your trading capital. You will also find it very helpful to paper trade before you start using real money. This will help you test your techniques in real-world situations, and help you become more comfortable with the process before it starts to matter most!

Habits - this relates to your day-to-day trading practices, especially in the area of self-discipline. When people first "become their own boss" they don't realize how difficult it can be to get motivated without someone looking over your shoulder. Are you getting enough sleep at night? Do you get up early enough to have a good breakfast, work out, shower, and prepare for the trading day ahead? Are you doing the right amount of daily research and honing your skills? Are you evaluating yourself enough? Developing good habits now will also help when emotions start to creep into your trades.

Avoid Becoming Star Struck with the Market

Another problem some people have is the sort of "star struck" feeling of attraction when they realize they are actually trading in the stock market. It is like



Trading Made Simple

Discover the Path of Least Resistance to Successful Day Trading

Key Points:

- Keeping your emotions while trading can be difficult, but it is vital to learn these skills before you start trading
- Start by paper trading to improve your trading skills and to get a feel for the emotions before you start trading real money

they are faced with a famous movie star: they can't move, and don't know what to say. This can be fatal if you are trying to trade! Don't worry about the market - it's certainly not worrying about you - and just focus on the task at hand. If you find yourself "too excited" about trading, do some paper trading to get used to the feeling before you start using real money.

Wrestling with these emotions can be difficult, but not impossible. The key is to keep your focus and to keep your emotions out of your trades. By following a set plan and daily routine, you can reduce the risk of losing money.

Other Resources

You may find that personal coaching sessions will help you develop your skills and knowledge, and give you the right emotional balance you need. Alexander Rodriguez (or A-Rod to his friends) is one of the best hitters in Major League Baseball, but even he has a "life coach" to help him keep his batting focus.

Trading Everyday offers personal coaching sessions that can help you keep your trading focus as well. Find out more at:
<http://www.tradingeveryday.com/Coaching.html>

Trading Everyday also offers a trading room and blog where fellow day traders interact with each other for advice, tips, and support. You can find them here:

<http://www.tradingeveryday.com/blog2/>
<http://www.tradingeveryday.com/TradingRoom.html>

Trading Made Simple

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Key Points:

- Your trading plan is the core of your trading business
- Don't aim to "beat" the market -- identify market trends and play into them to reduce your risk and increase profit
- Research different trading styles and techniques to find out which is best for you

Developing Your Trading Plan

Your trading plan, as the name implies, is the core of your trading business. This is the "nuts and bolts" about how you plan to go about making money on a daily basis. It involves creating effective trading strategies, but it also encompasses your trading philosophy, the style of trading, where you plan to trade, what type of software you will use to track your trades, etc.

As mentioned in the introduction, a huge number of beginner traders are left in the dust, usually because they began trading before they were ready. The market forces are fierce. There is no way to "beat" the stock market, and the best you can hope for is to see and act upon market trends for your profit.

If you plan to "make a killing" in your first few trades, take all your trading income right now and buy a mountain of lottery tickets - you'll have a better chance at winning.

But, if you are willing to work at it, learn the tools of your trade, and develop a solid trading plan, you'll be well on your way to a successful professional day trading career.

What Kind of Trader Am I?

A good place to start in your trading plan development is to determine what kind of trader you are. This ebook is aimed mostly at day traders, but there are a number of related fields including swing trading, position trading (both of which take place over a number of days), and scalping (which can take minutes or seconds to complete). You should also establish whether you will go long, sell short, or a combination of these methods.



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Key Points:

- Also determine what you will be trading, and what market you will be trading in
- Determine trading goals, objectives, and risk tolerance

Other things you need to consider:

- What type(s) of things will I trade (stocks, e-minis, futures, options, commodities)?
- Where will I trade (NASDAQ, NYSE, FOREX, foreign markets)?
- What kind of trading techniques and chart analysis will I use?
- What type of software will I use to trade?
- What company will I place my trades with?
- What is the best way for me to protect my investment capital while allowing me to make profits?
- What types of investment products and methods interest me most?

You should also determine your trading goals and objectives (which are different from your business goals), your risk tolerance (how much money am I comfortable using in each trade, etc.?), your money management plan, and what contingencies you have in case your trading plan stops working for you.

This is not quite as complicated as it sounds, though there are a lot of steps to consider. Rather than bogged down in the details here, let's review what you need to do to prepare.

Components of Your Trading Plan

A good trading plan will involve the following:

- A set of trading goals and objectives (again, different from your business goals)
- A detailed trading execution plan including chart analysis techniques
- A detailed risk management plan

Trading Made Simple

Discover the Path of Least Resistance to Successful Day Trading

Key Points:

- **Make sure you have strategies for dealing with your emotions while trading**

- A detailed money management plan
- A method of tracking and analyzing your trades
- A method of implementing improvements into your trading execution plan to put your self-analysis into action
- A page of "lessons learned" - refer to this page often so you don't have to relearn these lessons over and over!
- A disaster and recovery plan, in case the unthinkable happens...

Although not part of your "plan," you should also learn more about the psychology of trading and how it can affect you. As mentioned above, letting your emotions have an impact on your trading decisions will ultimately lead to failure. The key is to control your emotions - or at least get out of the market if your emotions are uncontrollable at that moment - and let your execution plan do all the work for you.

You may not understand just how emotional stock trading can be. But just know that it is much more emotional than you would expect. If you don't plan ahead to deal with these emotions now, they could take you by surprise and overwhelm you when your trading capital is in the market, and in danger of being lost!

Resources

Trading Everyday has a *Trading Plan Planner* that can help you outline exactly what you need to consider when developing your trading plan. This is one of the most comprehensive documents available, and actually features things like mathematical equations for your trade execution planning, how to determine share lot sizes, calculating stop losses and limits, and more. Find out more about this invaluable tool at:

<http://www.tradingeveryday.com/TradingPlan.html>

You can also do a search for "trading plans" on the Internet to find out more information.

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Key Points:

- There are no “sure thing” trading strategies
- You may be able to identify certain trends in the market or your trading product, but like the weather, you can never be 100% right
- Gap trading is one of the most reliable trading strategies, and an easy one for beginners to learn

Trading Strategies

Developing a Trading Strategy that Works for You!

There are many different trading strategies that you can use to create profit opportunities. There are no "sure thing" strategies - as mentioned above, the market cannot be predicted 100% of the time. Even the best traders in the world find it difficult to maintain a winning percentage above 80%.

Creating strategies reduces your risk of losing money, and takes advantage of potential profit opportunities. The way we identify these opportunities is through chart analysis.

There are definite market cycles that can be charted. Trading products that are heavily traded also have their own trends. For example, you can reasonably predict that if a stock opens above its previous day high, then it will likely continue to move upward. This is especially true if it has been trending downward for the last day, several days, or weeks.

If you are watching a particular stock and notice these indicators, you would probably get ready to enter a long position, or "buy" that stock. In preparation you would decide how much of your capital you want to use, what your profit target is, what your stop-loss is, etc.

Gap Plays - A Reliable Day Trading Strategy

The example we used above about the stock opening above its previous day's high is called a "gap play" and it is one of the



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Key Points:

- “Full Gap Up” means that the stock or other trading product you are tracking has opened above the previous trading period’s high
- Even though this may be a good trading signal, confirm the trend before initiating a trade
- Be aware of other variables including volume, news, etc.

most basic and reliable strategies available to the day trader. There are several variations including the full gap and the partial gap, both up and down. Although the basics are the same, each variation is slightly different.

Let's keep it simple right now and focus on the Full Gap Up. In this scenario, the stock you are tracking opens above the previous day's high. You notice from your chart analysis that for the past week the stock's price has steadily been declining. This trend reversal is a possible sign that the price may be on the way back up.

If you are cautious (and all beginner day traders should be especially cautious) you may wish to track it to make sure that the trend upwards continues before you buy the stock. You follow the stock for a pre-determined amount of time (10 minutes, 15 minutes, or half an hour, etc.) to make sure that the trend holds. Now here is the tricky part: the longer you wait, the more likely that the trend is actually reversing. However, the longer you wait, the higher the risk that the stock will stop moving upward before you hit your profit target.

There are many other variables you have to worry about too. For example, how high is the volume during this trend reversal? Is it possible that the stock is evening out before falling back again? Is there any news due out during the time you will have an open position that can negatively affect the stock? And so on.

The point here is that you need to learn how to identify gaps and other trading strategies through chart analysis, how to act on that information, and how to protect yourself should the trade go bad.

Rules to Trade By

Although gap plays are "reliable" as market indicators go, no trading strategy is 100% foolproof. It is sort of like predicting the weather: we have lots of new technology that can indicate rain or wind or sun in the short term, but as we all know even with advanced computer simulations and high-tech measuring gadgets, the weatherman still gets it wrong from time to time.

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Key Points:

- Always manage your risk first, and then worry about profit
- Analyze, but don't agonize
- Remember, the market is volatile and anything can happen at any given moment

Here are a few "rules to trade by" to help reduce your risk of losing your trading capital.

1. Manage risk first, then think about reward - remember, your number one goal is to preserve your trading capital.
2. Trade into strength - close your position before the stock reaches its peak. Trying to cash out at the same time as everyone else is a recipe for disaster!
3. Become familiar with the stocks/commodities/trading products you are trading - track each one for weeks or months at a time, and study historical charts. The more you know about that trading product, the more success you'll have.
4. Keep your positions small - "all in" may work for poker, but if you want to make a career of day trading, never put yourself at risk of losing a large portion of your trading capital, no matter how strong the indicators are (see point #1).
5. Analyze, but don't agonize - see what you did wrong and what you did right. Take that information and learn from it without kicking yourself for your "mistakes."
6. The Market is volatile and anything can happen - even if all the indicators point in one direction and you execute your plan perfectly, the Market can turn on you suddenly. That's why there is no way to create a "perfect" trading system; you cannot win them all.

Other Resources

Trading Everyday can help you develop specific trading strategies including advanced gap plays. *Day Trading Strategies Volume I - Gap Plays* covers all the different gap trading variations, and even has built-in forms so that you can plan your own gap plays from entry point to profit targets and stop-loss points.

<http://www.tradingeveryday.com/Products.html>

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Key Points:

- Momentum plays are similar to gap plays
- There are several different chart indicators to help you identify possible entry points into a trade
- Bull and bear traps are very close to gap-type plays, except that they occur intra-day instead of between trading periods

Momentum Plays - Another Great Technique

In the last chapter, we discussed gap plays and how they are the staple of every great day trader. As touched upon, there are dozens of different trading and chart analysis techniques to help you hone your skills. Although many beginner traders start at the same point, almost all professional traders end up developing their own unique trading techniques along the way. It is likely that you will too.

But until then, it is a good plan to start with the basics and momentum plays represent a good, solid trading opportunity.

Momentum plays, as the name suggests, refers to trading with the trend. If the price is trending upward, then we are looking at a possible buy or "long" position. If the price is trending downward, then we are looking at a possible sell or "short" position. Our safest and potentially most profitable trades occur when a price that has been going down starts to go up, and vice versa. This is called a trend reversal.

As you well know, nothing lasts forever. So how can we tell that the trend will continue after we open a position? The fast answer is that you can't - the market is volatile, and anything can happen at any moment. The long answer, though, is that there are some indicators that can help you predict whether a particular trend will last. By using these indicators, we can identify potential profit opportunities in our chart analysis.

Bull and Bear Trap Example

There are several different types of trend reversals: engulfing patterns, piercing patterns, 3-bar reversals, and so on. We use the candlestick bar chart to identify these patterns, and determine whether or not a possible trade meets our criteria.

For our example, we will look at the bull and bear trap techniques. These are similar to the gap plays discussed in the previous chap-

Trading Made Simple

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Key Points:

- Bull trap is when the stock price reaches its peak and then falls back down below the previous time period's bar
- Make sure you confirm the possible entry signal before entering a trade
- A 30-minute chart will give you a stronger indicator of trends than a 5-minute chart

ter. However, there is one main difference we should note here: bull and bear traps tend to occur during the course of the day's trading, whereas gaps usually appear between trading sessions.

A bull trap (see figure on this page) is when the stock price reaches the peak of its upward swing and reverses downward, gapping below the previous time period's bar. The bear trap is when the stock price reaches the peak of its downward swing and reverses upward, gapping above the previous time period's bar. The larger the gap, the more likely that the trend reversal will continue (which is why this is such a powerful indicator!)

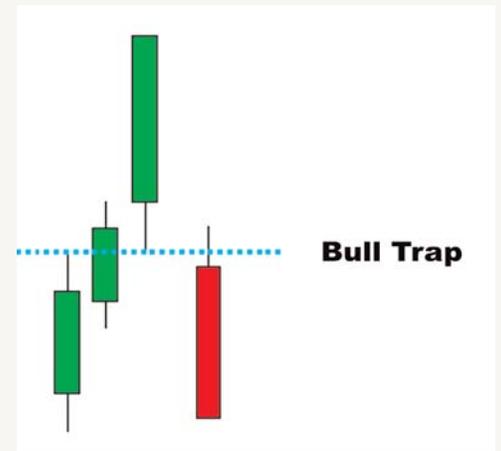
Note here that the key is to look at the previous time period's bars, not necessarily the previous trading day chart. You may be tracking a stock throughout the day at, say, 15-minute intervals, and notice a bull trap. Also note that volume plays a huge role: a possible bull trap on heavy volume is a very good sign, whereas light volume means a possible "blip" in your chart. As always, use caution!

Depending on how strong the signals are, you may wish to wait one or more time periods to confirm the trend reversal. Although this is a great strategy, especially if the indicators are weak (for example, low volume during the trend reversal) you also run the risk of losing profit potential, as well as a sudden reversal back.

Before you enter any position though, you want to create a complete execution plan. This will include your entry point, your stop-loss point, and your profit target.

A Few More Notes

Another indicator of a reversal's strength is the type of chart you are using. A trend reversal on a 5-minute chart, for example, is not as strong



Trading Made Simple

Discover the Path of Least Resistance to Successful Day Trading

Key Points:

- Set an initial stop-loss at 50%-62%, and slide it to break-even as quickly as possible
- Micro-management helps you manage your risk more effectively
- Investigate bull and bear traps fully before starting to use them!

an indicator as a reversal on a 30-minute chart. This is one main reason why Trading Everyday recommends that beginner traders use charts with longer time frames.

Your stop-loss initially should be 50%-62% of the previous bar. However, it is usually advisable to actively manage this point so that as you move towards your profit target point, you also raise your stop-loss (or lower, in the case of the bull trap) to the break-even point as quickly as possible. You may continue to actively manage this throughout your open position to enter your profit zone.

Although this micromanagement style may seem like overkill (and may trigger an early exit), don't forget that your main goal is to preserve capital. If the indicators are right and the trend does continue, you will lose nothing in this micromanagement process. On the other hand, if the trend does come back on you, this sliding stop-loss technique will preserve even more of your capital.

There are other techniques using the bear and bull trap that can help you minimize your risk including using market and partial lots.

Other Resources

The bull and bear trap, along with other trading techniques, are covered more in depth in the ebook of *Day Trading Strategies Volume II - Momentum Plays*. This ebook covers different types of momentum plays, gives you the basic theories, and offers specific advice on how to develop your own trading execution plans so that you can minimize risk and maximize profit.

<http://www.tradingeveryday.com/Products.html>

Trading Made Simple

Discover the Path of Least Resistance to Successful Day Trading

Key Points:

- Treat day trading as a business
- Make sure that “being your own boss” really is the right thing for you
- Don’t forget to evaluate the things that you might miss when you quit your day job -- these things could impact you later!

Business Essentials

Welcome to Your New Business

There is only one way to look at day trading, and that is as a business. This is not "a hobby" or something you can dabble in. Either you are in, or you are out - and if you are on the fence about this, the market will make sure you are out soon enough! Now it is fine if you plan to be a part-time day trader. But just be aware that the same rules apply. You need to be prepared, focused, and committed every second you are in the market, or you could lose your whole investment (or more!) if you are not careful.

The vast majority of beginner day traders are knocked out because they decide to dabble or do it as a hobby. They do not prepare themselves properly for the challenges ahead. It is not surprising that so many don't make it. But with some learning and practice, you vastly improve your chances of success.

Is Being Your Own Boss Actually the Right Thing for You?

One of the big draws to the world of day trading is that you get to be your own boss. You'll also find out quickly that sometimes it is actually harder when you have nobody to answer to but yourself. If you want to be your own boss so that you can work for yourself and develop your own ideas, you are on the right track. But if the idea of taking as much time off as possible appeals to you, you might find that working for yourself can be a bit of a challenge!

Before you decide to go into business as a full time day trader, you need to seriously consider what kind of commitment you are willing to make to



Trading Made Simple

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Key Points:

- **Make sure you are financially stable and can carry yourself for several months (not including your trading capital) before you quit your job**
- **Professional day trading takes a lot of work, preparation, and discipline -- are you up for it?**

follow your dreams. Not everyone is cut out to be their own boss or run their own business, and that's okay. But you do need to be honest with yourself on this point before you go any further.

There are several other things you need to consider as well before you give up your day job:

- Do you enjoy your current job? If so, be prepared to miss the job and the people you work with.
- Are you willing to sacrifice job success in your current position for the chance at personal success - or possible failure?
- Are you willing to sacrifice job security?
- Do you have enough saved to start day trading and maintain your current standard of living until you start making money in the stock market?
- Are you prepared to be cut off from a social network to work by yourself at home?
- Are you willing to put in the time and effort it takes to hone your skills before you start any actual trading to improve your chances of success?
- Most importantly, can you get things accomplished without having to answer to a supervisor?

If any of these questions got you thinking, then make sure you fully consider these points as well as any other ways this decision can impact your life. Even if you are considering trading part time, you must be prepared to learn before you dive in, and that you have all your financial matters in order.



Trading Made Simple

Discover the Path of Least Resistance to Successful Day Trading

Key Points:

- Develop a full business plan including goals, cash flow statements, and business strategies
- Don't forget to consider *how you will work*

If You Fail to Plan, You Plan to Fail

Once you have decided that you can handle being your own boss, it is time to develop your business plan. This does not have to be especially technical - you are not launching a multi-national Fortune 500 company here. But there are key elements that every business plan should include:

Set Specific Goals - You need both short-term and long-term goals so that you have focus and a way to measure your success. "Making Money" is not a goal; becoming financially stable within 12 months is a goal.

Develop Cash Flow Statements - Before you "launch" your business, you need to assess your current financial situation including your trading balance as well as personal assets, debts, and monthly expenses.

Realistically Assess Your Trading Fund - Day trading is a risky business. You should not trade any more than you can afford to lose. Do not, for example, use your life savings or the kids' education funds as a source of your trading capital. In fact, it may be helpful to assume that every penny you put into your trading fund is already gone, so that if you do lose it all it will not impact on the welfare of you or your family.

Develop Business Strategies - This means creating an environment for yourself that will allow you to make money. For example, renting office space to get you out of the house may be a good business strategy. Although your monthly costs will increase, you may find it easier to focus and therefore you may be more productive. Essentially, your business strategies are the maps to reaching your business goals using the fastest, most efficient methods.

Consider How You Will Work - This is the process of creating your day-to-day habits that will help you maximize your focus. What time will you get up each day? How long do you need for breakfast? Do you plan to go for a run, work out, or do some other activity before you start working? Don't forget to add time in there to study the markets before they open as well.

Trading Made Simple

Discover the Path of Least Resistance to Successful Day Trading

Key Points:

- A business plan is different from a trading plan, but just as important on your road to success

Creating a business plan is much different than creating a trading plan. As with any business plan, this is a crucial part to your financial success. Not only does it force you to plan for all contingencies, but it also helps reinforce your commitment to becoming the most successful trader you can be.

Business Plan Resources

These are just some of the things you should consider when developing your business plan. Trading Everyday offers a more in-depth ebook to help you plan your business: *Giving Up the 9 to 5: Making Your Own Rules as a Full-Time Day Trader* which is available on the Trading Everyday website.

<http://www.tradingeveryday.com/Products.html>

There are also tons of resources on the Internet for people who want to learn more about developing business plans and becoming their own boss. Just look up "create your own business plan" or "be your own boss" on your favorite Internet search engine to find out more.

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Discover the Path of Least Resistance to Successful Day Trading

Key Points:

- Decide how you will acquire the tools you need to succeed
- If self-learning, find the right resources for you
- Trading Everyday offers courses and coaching services for those who prefer to be taught the basics -- and beyond!

What Now?

As you realize by now, there is a mountain of information you need to learn before you can start trading with any confidence - and any realistic hope of success. At the end of each chapter, I have added some resources that will help you along the way.

For some of you, self-learning is the way to go. Take the information you've learned here and create a checklist of the things you need to learn. And don't quit your day job just yet! Make sure you have a financial plan in place, and that you have the tools and knowledge you need to start trading. Things will be slow at first - that is natural. Do everything you can to keep yourself financially stable over the coming months so that you do not feel pressure to perform now.

Others of you may want to be walked through the process. If this is the case, you should consider taking one of my online courses, or signing up for my coaching services. These courses focus on specific things that will help you develop into a professional trader. My coaching services can be customized to meet your specific needs from brand-new beginner to seasoned pro.

Those of you who sign up for my courses can also take advantage of a wide range of other products, services, and information sources available directly from me or through my websites.

It is important that you match yourself with a trainer or coach who you can work well with. If I'm not that person for you, then take a look around the Internet to find other courses and coaching services. There are many fine traders out there



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(though not many with the same training qualifications I have!) so you should be able to find someone you are compatible with.

Work hard, learn your trade, and good luck in the markets!

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About Leroy Rushing

With two Master's degrees in Business Administration (Finance) and Science (Statistics), being a professional day trader is almost a natural vocation for me. By applying my knowledge of business and mathematical principles to the stock market, I found that I could reduce my investment risk by "deconstructing" a stock using chart analysis and market indicators.

But it wasn't always a walk in the park. I found that there are other variables, like the emotional and mental state of the trader, that play a large part in the trading process. I've developed a plan that helps traders find the right trades, and find the courage to make the right decisions.

In my previous corporate life, I was also responsible for providing leadership and training to others in the company. That extensive experience has become the basis of my coaching program today.

I encourage you to contact me with any questions you may have about my products or services. And don't forget to register for a Free Consultation/Training Session. I will give you the guidance and support that you need to improve your knowledge, skills, and mental focus for higher profitability.

Leroy Rushing

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Trading Made Simple

Discover the Path of Least Resistance to Successful Day Trading

Key Points:

- The stock market is volatile; be prepared to lose trades
- As a beginning day trader, start with very low risk tolerance and move up as you gain experience
- Start by paper trading - learn your craft without risking your own capital!

More Resources

eBooks

Tools of the Trade: An Introduction to Professional Stock Trading
Giving Up the 9 to 5: Making Your Own Rules as a Full-Time Day Trader
Little Fish, Big Pond: How to Start Day Trading with Minimal Start-Up Capital (and NOT Get Eaten Alive!)
Trading Plan Planner
Just Charts Vol. I
Day Trading Strategies Vol. I - Gap Plays
Day Trading Strategies Vol. II - Momentum Plays

These can all be found at:

<http://www.tradingeveryday.com/Products.html>

Trading Everyday Coaching Services

One-on-one training sessions geared to your learning level, from beginner to seasoned pro. Learn from the insights of a long-time trader to hone your own skills and improve your trading success!

<http://www.tradingeveryday.com/Coaching.html>

The Trading Made Simple Online Courses

Start from the basics and develop your day trading skills, and get one step closer to your day trading career!

<http://www.tradingmadesimple.info/>

Online Resources

Many helpful tips, hints, and resources can be found on the Internet by simply searching for them. Trading Everyday cannot guarantee the quality of these links, so be sure to take all advice you see there with a grain of salt.