TRICKS OF THE TRADER
Day Trading and Swing Trading Principles

By Paul Janiak
Disclaimer

- This presentation is composed of reports embodying a unique system of stock analysis. All contents and recommendations are based on data and sources believed to be reliable, but accuracy and completeness cannot be guaranteed.

- There is a very high degree of risk involved in trading. Users should be aware of the risks involved in stock investments. It should not be assumed that future results will be profitable or will equal past performance, real, indicated or implied. The presenter assumes no responsibility for your trading and investment results.

- The information presented here is for educational purposes only and should not be construed as investment advice. Although every precaution has been taken in the preparation of this presentation, the author assumes no liability for errors or omissions.

- Use of this material constitutes your acceptance of these terms.

- You are completely on your own.

- Thank you
Day Trader (n):

One who buys and sells an investment within a very short time (minutes or hours), in order to take advantage of rapid price changes

- PJ day trader qualifications
- Slow Learner
- Today’s Objective

*Definition courtesy of www.morganstanleyindividual.com*
Day Trader Tax Advantages

- Links to articles about the tax advantages of qualifying as a professional day trader
  - http://tradersaccounting.org/day-trading-faqs.php
Special Rules for Traders in Securities

- According to IRS Publication No. 550
- Pattern Day Trader
- Wash Sales Rules
- Losses are more tax advantageous
- Day Trading income is ordinary income
- This year’s big change: Gain/Loss and Mark to Market Election
Qualities of a Good Day Trader

90% of Day Traders lose money because they don’t have these qualities:

- Discipline and focus, PJ example
- Decisiveness
- Sophisticated risk-taking, without compulsiveness
- Belief in technical analysis
  ** Gene Ricci
- Motivation
  ** Linda story
- Written goal setting
- Confidence without arrogance
- Anxiety control
Trading Tools & Resources

- Two high-speed Internet connections
  - Cable and DSL line with own router
- Separate hard drive dedicated to switchovers only
- PC with two monitors, plus Notebook laptop w/ extra monitor
- Schwab / Think or Swim / Street Smart Pro / Level 2 Platform / Trade Log / Tele Charts
- Rates are negotiable
Daily Market Commentary

- TV – CNBC, on low volume
- Think or Swim – Shadow Trader – Peter Reznicick
- Rick Saddler at hitandruncandlesticks.com
- Scott Redler at T3 at Minyanville
- Day Trading Partners, LLC

Trading System
What does it take to build Successful Trading Strategies?

- Risk or Money Management (70%)
- Mental Motivation and Emotional Control (20%)
- Trading Systems or Strategies (10%)
Books

- *Introduction to Technical Analysis*
  - by Martin Pring
- *Day Trader’s Advantage*
  - by Howard Abell
- *Hit and Run Trading I and II*
  - by Jeff Cooper
- *Street Smarts*
  - by Linda Raschke and Lawrence Connors
Books, continued

- *The Complete Turtle Trader*
  - by Michael Covel
- *Life is Not a Game of Perfect*
  - by Dr. Bob Rotella
- *Secrets of a Pivot Boss*
  - by Frank Ochoa
Paper Trading (n):

*Using “play dollars” to execute realistic trades*

- Practice for three months
- Set up weekly and/or monthly benchmarks for profitability
- Refrain from excusing big losses on the grounds that “you won’t do that in the future.”
- [www.trademonster.com](http://www.trademonster.com)
- [www.tradingsimulation.com](http://www.tradingsimulation.com)
- [www.ThinkorSwim.com](http://www.ThinkorSwim.com)

Risk Control
“I think most, if not all, of the traders we’ve interviewed have recognized that if there’s any secret or Holy Grail attached to success in our business, it comes from within. It has nothing to do with any specific indicator or system. It has to do with how you perceive the markets and operate within that context of your own psychological makeup… And if there’s anything that we’re trying to do, it is to remind people that they have to understand the inner workings of themselves in order to operate in the day trader’s environment.”

- Emotional Control
“Trading is like breathing. You inhale, and you take in enough oxygen that you need and maybe a little extra, and then you exhale and let somebody else have the rest of that oxygen. [If] all you want to do is take every penny of your profits, and if you breathed like that, all you would be doing is inhaling and you’d be dead in five minutes.”

- Emotional Control
“I know some S&P day traders who say they will never take over a 100 point or a $500 loss. From my point of view, that’s stupid trading, because you’re trading your wallet, and you’re not trading the market. My wallet will not help me trade the market profitably. I know that! The only way I can be profitable – and this may not work for everybody – is to be so in tune with the market that I’m going to do what the market tells me and try not to dictate to it by listening to my wallet.”

Risk Control
Interview with Toby Crabel

from *The Day Trader’s Advantage* by Howard Abell

“The real secret for success is that it’s a lot of hard work, and if you want to do this over a long period of time successfully, then you’d better not think about going in and making a lot of money fast. The common idea is let’s make a big killing and quit.”

Risk Control
The Essential Psychological Barriers to Successful Day Trading

- Not defining a loss
- Not taking a loss or profit
- Getting locked into a belief
- Trading on “inside information” or taking a tip
- Kamikaze trading
- Euphoric trading
- Hesitating with your numbers

(from Day Trader’s Advantage, by Howard Abell)
Psychological Barriers continued

- Not catching a breakout
- Not focusing on opportunities
- Being more invested in being right than in making money
- Trying to be perfect
- Not consistently applying your trading system
- Not having a well-defined money management system
- Not being in the right state of mind

Emotional and Risk Control
Risk Management or Loss Management

- Establish specific and rigid financial constraints. Having goals on the upside is important, but it is crucial to decide how much you are willing to lose—a decision requiring patience, discipline and, for many, belief in a higher power.

- My loss parameters are onesy and twoseys and five/ten.
  - Onesey/twosey are $1000 and $2000 and represent $\frac{1}{2}$ and a full position – Leo Durocher

- I use the loss parameter of 5/10 for $5000 and $10,000 for a “total transaction”. A total transaction uses two positions and “all-in” margin; i.e., being “all-in” with my day trading buying power.

Risk Control
Profit Goals

- Your real goal should be set at least 20 percent above what you think you can make, in order to take into account the potential of having one day a week as a losing day.
- Once you have made your daily goal, consider walking away for the day or setting new rules for playing with the house’s money. Poker Texas Hold’em
- My goals are:
  - $2K per day
  - $5K per week
  - $20K per month

Risk Control
“It is our belief that continually elevating your state of mind by focusing on internal and external phenomena that allow you to stay resourceful and true to your trading strategy is the answer. We have demonstrated how to do this through processing positive beliefs and thoughts and by directing your physiology. When a negative thought comes into consciousness and begins to distract your focus, don’t fight it. Acknowledge its existence and go forward.”

- Koppel and Abell, *The Inner Game of Trading*
“Successful trading, in essence, comes down to this: Formulate a day trading plan that works, overcome your own personal psychological barriers and condition yourself to produce feelings of self-trust, high self-esteem and unshakable conviction and confidence. Doing this naturally leads to good judgment and winning trades with a proven methodology, based on probability.”

Emotional Control
Accountability

- The length of measurement periods is crucial.
  - WTD and MTD is everything
  - More than a month is too long
  - A single day is too short
  - P.E.R.I.L. Scale
Getting Started: Daily Preparation
Homework Helpers and Timers

- StockTiming.com
- HarleyMarketLetter.com
- Schwab Market Edge
- Sy Harding
- Jeff Cooper’s Alerts
- FinViz.com
- Minyanville
- T3 Alerts
- Daily Wealth
- Stansberry & Associates
- Larry Connors’ Daily Battle Plan
- Vector Vest
- Chris Weber
- DayTradingPartnersLLC.com
## Rolling Timer

<table>
<thead>
<tr>
<th>day total</th>
<th>5 day avg</th>
<th>Morning</th>
<th>Afternoon</th>
</tr>
</thead>
<tbody>
<tr>
<td>31-Dec</td>
<td>40</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4-Jan</td>
<td>176</td>
<td></td>
<td></td>
</tr>
<tr>
<td>5-Jan</td>
<td>18</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1-Nov</td>
<td>102</td>
<td>110</td>
<td></td>
</tr>
<tr>
<td>2-Nov</td>
<td>82</td>
<td>15</td>
<td></td>
</tr>
<tr>
<td>3-Nov</td>
<td>3</td>
<td>140</td>
<td></td>
</tr>
<tr>
<td>4-Nov</td>
<td>140</td>
<td>300</td>
<td></td>
</tr>
<tr>
<td>5-Nov</td>
<td>42</td>
<td>285</td>
<td></td>
</tr>
<tr>
<td>8-Nov</td>
<td>58</td>
<td>125</td>
<td></td>
</tr>
<tr>
<td>9-Nov</td>
<td>31</td>
<td>74</td>
<td></td>
</tr>
<tr>
<td>10-Nov</td>
<td>79</td>
<td>9</td>
<td></td>
</tr>
<tr>
<td>11-Nov</td>
<td>61</td>
<td>210</td>
<td></td>
</tr>
</tbody>
</table>

- **Morning**
  - Open: 11120.3, 11129.61, 11192.8, 11216.65, 11453.51
  - Close: 11228.34, 11195.61, 11204.43, 11387.54, 11432.57

- **Afternoon**
  - Open: 11215.91, 11119.82, 11198.71, 11401.88, 11402.45
  - Close: 11121.97, 11186.9, 11214.98, 11432.72, 11442
Common Homework Setups

- Expansion Breakouts – source Jeff Cooper
- 1-2-3 Pullbacks – Trade Market/Jeff Cooper
- 180’s – Trade Market/Jeff Cooper
- Lizards – Trade Market/Jeff Cooper
- Gilligans Island – Trade Market/Jeff Cooper
- Unfilled Gap Reversals – Trade Market/Jeff Cooper
- Inside Day Narrow Range 4 – Linda Rasche and Lawrence Connor
- Turtle Soup and Turtle Soup Plus One – Linda Rasche and Lawrence Connor
- Unfilled Gaps – Linda Rasche and Lawrence Connor
- Spike and Ledge Patterns – Linda Rasche and Lawrence Connor
- Basic T.A.
Expansion Breakout
Important Dates

- The last day of the month, quarter and year
- Option expiration weeks
- Employment data – weekly and monthly
- Fed Open Market meeting days
- When financial news is announced
The News

- It is important to keep apprised of the news, particularly when its announcement time is prearranged.
  - Try to be flat prior to the announcement.
  - Unless the news is extremely significant, be contrarian, or let the market run a little bit and try to get the push-back.
  - Cramer fan
Daily Market Commentary

- TV – CNBC, on low volume
- Think or Swim – Shadow Trader – Peter Reznicick
- Rick Saddler at hitandruncandlesticks.com
- Scott Redler at T3 at Minyanville
- Day Trading Partners, LLC

Trading System
The Mental Edge Newsletter is published by Nazy Massoud, Founder and CEO of Mental Edge Trading, Inc.

You can go to www.mentaledgetrading.com, sign up for the free report, and you are automatically signed up for the newsletter.

- Emotional Control
- Sample Packet
- Come to Play
Daily Market Commentary

- TV – CNBC, on low volume
- Think or Swim – Shadow Trader, Peter Reznicick
- Rick Saddler at hitandrununcandlesticks.com
- T3 at Minyanville, Scott Redler
- Day Trading Partners, LLC
Prepare to Trade

- Do what it takes to get yourself into a positive frame of mind each morning, as a positive attitude is the single best indicator of success.
- My records have shown me that I consistently trade better when I begin my day reading:
  - My trading journal
  - Mental Edge Newsletter
  - Something spiritual – Daily Bread from RBC Ministries @ www.rbc.org

Emotional Control
Confidence

In any endeavor I’ve ever studied, from playing golf to selling lipstick, confidence is the single most important and least understood factor. Without confidence, an individual is like an airplane without wings. No matter how powerful the engines are, the wingless airplane is not going to get off the ground. If you lack confidence, you’re probably going to be nervous, tight, and hesitant in anything you try. You won’t even try some things you could have succeeded at. And your preparation for performance is likely to be halfhearted. Why practice hard if you don’t think you’re going to succeed in the end?
Confidence, continued

If you don’t prepare, if you perform hesitantly and if you give up easily, you can’t expect to succeed. But that’s the way people who lack confidence operate. Such people probably believe, mistakenly, that confidence can only come from a history of successes. They say they’re only being realistic if they lack confidence. Unwittingly, they use “realism” as a justification for thinking negatively and limiting themselves. How can they believe they can accomplish something if they’ve never done it before? Particularly if they’ve tried and failed in the past?
The answer goes back to free will. Confidence is nothing more than what you think about yourself in relation to a given challenge. It’s not about where you’ve been. It’s about where you’re going. It’s not about what you’ve done. It’s about what you perceive you will do. You can choose what you think about yourself. People with real talent choose to think they can succeed. They prepare themselves to succeed.

*Life Is Not a Game of Perfect*, by Dr. Bob Rotella
Trading Strategies
Three Types of Markets

1. Trending markets
2. Trend-changing markets
3. Markets that swing more than two times in one day
## Stocks We Follow

<table>
<thead>
<tr>
<th>AAPL</th>
<th>FCX</th>
<th>NVDA</th>
<th>ETF’s</th>
</tr>
</thead>
<tbody>
<tr>
<td>AMZN</td>
<td>FDX</td>
<td>OIH</td>
<td>DIG</td>
</tr>
<tr>
<td>APA</td>
<td>FFIV</td>
<td>PCLN</td>
<td>DUG</td>
</tr>
<tr>
<td>ARMH</td>
<td>GLD</td>
<td>POT</td>
<td>FAS</td>
</tr>
<tr>
<td>BIDU</td>
<td>GS</td>
<td>RIMM</td>
<td>FAZ</td>
</tr>
<tr>
<td>CAT</td>
<td>JPM</td>
<td>RL</td>
<td>SSG</td>
</tr>
<tr>
<td>CMG</td>
<td>LULU</td>
<td>SLV</td>
<td>SSO</td>
</tr>
<tr>
<td>CRM</td>
<td>LVS</td>
<td>V</td>
<td>TNA</td>
</tr>
<tr>
<td>DECK</td>
<td>NFLX</td>
<td></td>
<td>TSA</td>
</tr>
</tbody>
</table>
Four Main Intraday Strategies

- Holy Grail, which we primarily use in trending markets (Linda Raschke)
- Turtle Soup (Raschke and Connors), which we use in choppy markets
- Recross-over of the 8/34 (Rick Sadler)
- A successful retest of the high or low
For Buys (Sells are Reversed)
- The 14-period ADX must initially be greater than 30 and rising. This will identify a strongly trending market.
- Look for a retracement in price to the 20-period exponential moving average. Usually the price retracement will be accompanied by a turndown in the ADX.
- When the price touches the 20-period exponential moving average, put a buy stop above the high of the previous bar.
- Once filled, enter a protective sell stop at the newly formed swing low. Trail the stop as profits accrue and look to exit at the most recent swing high and tighten stops on the balance.
- If stopped out, reenter this trade by placing a new buy stop at the original entry price.
- After a successful trade, the ADX must once again turn up above 30 before another retracement to the moving average can be traded.
- Substitute 8 or 34 EMA for the above
Turtle Soup Bulls and Bears

For Buys (Sells are Reversed)

- Today must make a 20-day or period low – the lower the better.
- The previous 20-day or period low must have occurred at least four trading sessions earlier. This is very important.
- After the market falls below the prior 20-day or period low, place an entry buy stop 5-10 ticks above the previous 20-day or period low. This buy stop is good for today only.
- If the buy stop is filled, immediately place an initial good-till-canceled sell stop-loss one tick under today’s low.
- As the position becomes profitable, use a trailing stop to prevent giving back profits. Some of these trades will last 2-3 hours and some will last a few days. Due to the volatility and the noise at these 20-day or period high and low points, each market behaves differently.
- Reentry Rule: If you are stopped out of the trade, you may reenter on a buy stop at your original entry price level.
These are not official records and will not be reported to the IRS. Please use this information only as a tool to assist your financial management. Always refer to your Schwab statements and/or trade confirmations for a complete and accurate record of your securities.
Recross-over of the 8/34

For Buys (Sells are Reversed)

- The 8-day exponential moving day average crosses over the 34 exponential moving day average to the upside.
- Place a stop-loss below the 34 MDA and trail the stop up as it becomes profitable.
- For swing trading, look at the 34-, 50- and 200-day moving averages.
Peak and Trough Reversal
Double Top
Double Bottom

- Selling climax
- Volume should be low
- Volume increases on breakout
Identifying Trends

- Market timers are great indicators, of course, but the trend is also measured more generally by the basic market indices:
  1) Russell 2000
  2) Transportation
  3) NASDAQ 100
  4) The S&P 500,
  5) Dow Jones Industrial Average
- Additionally, be sure to pay attention to the Federal Reserve. The Fed supports interest rates in a variety of money and credit available to the market. The Treasury is also now a much bigger player in the market.
- Use daily commentary.
Intraday Chart Example for AAPL
Intraday Chart Example for RIMM

These are not official records and will not be reported to the IRS. Please use this information only as a tool to assist your financial management. Always refer to your Schwab statements and/or trade confirmations for a complete and accurate record of your securities.
Entry Strategy

- Only trade one stock at a time, unless you’re hedging your position with a short.

- On entry points, make a limit trade if the stock isn’t moving so fast that you miss out on the majority of the change in price. I use a 20 – 33% rule.
Focus on the Trade

- Study the 3- or 5-minute candlestick chart.
- For big decisions, consider the 3-, 5- and 15-minute candlestick chart.
- For still bigger decisions, consider the Intraday 5 minute, 30- and 90-day charts in conjunction with the above.
- Pay attention to the support and resistance lines.
Exit Strategy

- The most critical part of the trade is the exit point. I use a simple rule of double the loss. First loss, best loss.

- Almost always use conditional alerts rather than a stop. We use a graduated 10/50 rule.

- Once you hit your gain level, manage the exit with a trailing stop or a conditional alert.
Conditional Alerts (a.k.a. Stops)

*Buy and sell limit orders, as well as gain and stop loss orders*

- Market makers cannot see them.

- When you exit a trade, be sure to review and possibly cancel any conditional alerts you may still have in place.
If GOOG's bid increases to 528.28 or GOOG's ask decreases to 522.4 then buy 1000 shares of GOOG at ask minus 0.20 on SmartEx and beep and play "08_Sound". This conditional order will remain active until 06/14/2011 and may trigger as a result of a stock split or other corporate actions.
Building Positions

Are you a BMW type of trader…

Or, are you a PINTO trader?
BMW Trading (n)

*Buying More of a Winner*

- Successful day trading is buying “more of a winner” (BMW) in a consistently moving market. Think of “BMW” as doubling down in Vegas. You do that when you have a good hand and are in a good position vs. the dealer. This is particularly important in swing trading.
PINTO Trading (n)

Piling on like No Tomorrow

- Unsuccessful trading is buying more of a loser to lower your average cost as you pile on.

- History has shown me that about 40% of the time that I do pile on, I will make money. However, that other 60% of the time, when I have piled onto a loser to make a bad loser worse, I wipe out a weeks’ worth of profit… or worse.
  - Best Loser
Remain Flexible!

Wait, Wait, Wait!

Patience is an incredible virtue in day trading. Waiting a bit longer than you are naturally inclined is the single best way to improve most trades.
Mistakes Happen!

- All traders make mistakes.

- The general rule is to eat your mistake as quickly as you can, and get out of it.
Take Your Profit!

- Winning a trade? Take your profit!
- Don’t reassess completed trades.
- If you believe the market is still moving in your direction, use a trailing stop.

  - Jack Nicklaus
Take Time Out!

- Breaks are key, especially when you have
  - Two losing trades in a row (brief time-out)
  - Significant loss (at least 15 minutes)
  - Break from trading

Jack Nicklaus
<table>
<thead>
<tr>
<th>January 2011</th>
<th>STARS</th>
<th>GRADES</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>TOTAL</td>
<td>P</td>
</tr>
<tr>
<td>3</td>
<td>2544.00</td>
<td>+</td>
</tr>
<tr>
<td>4</td>
<td>4835.00</td>
<td>+</td>
</tr>
<tr>
<td>5</td>
<td>6117.00</td>
<td>+</td>
</tr>
<tr>
<td>6</td>
<td>6238.00</td>
<td>+</td>
</tr>
<tr>
<td>7</td>
<td>133.00</td>
<td>+</td>
</tr>
<tr>
<td>Weekly Total</td>
<td>2545.00</td>
<td>5</td>
</tr>
<tr>
<td>10</td>
<td>4860.00</td>
<td>+</td>
</tr>
<tr>
<td>11</td>
<td>2295.00</td>
<td>+</td>
</tr>
<tr>
<td>12</td>
<td>1053.00</td>
<td>+</td>
</tr>
<tr>
<td>13</td>
<td>3562.00</td>
<td>+</td>
</tr>
<tr>
<td>14</td>
<td>1425.00</td>
<td>+</td>
</tr>
<tr>
<td>Weekly Total</td>
<td>13195.00</td>
<td>5</td>
</tr>
<tr>
<td>M-T-D</td>
<td>10650.00</td>
<td>10</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>---</td>
<td>-------</td>
<td>-------</td>
</tr>
<tr>
<td>17</td>
<td>0.00</td>
<td></td>
</tr>
<tr>
<td>18</td>
<td>4679.00</td>
<td>+</td>
</tr>
<tr>
<td>19</td>
<td>2053.00</td>
<td>+</td>
</tr>
<tr>
<td>20</td>
<td>5340.00</td>
<td>+</td>
</tr>
<tr>
<td>21</td>
<td>2165.00</td>
<td>+</td>
</tr>
<tr>
<td></td>
<td>Weekly Total</td>
<td>14237.00</td>
</tr>
<tr>
<td></td>
<td>M-T-D</td>
<td>24887.00</td>
</tr>
<tr>
<td>24</td>
<td>1440.00</td>
<td>-</td>
</tr>
<tr>
<td>25</td>
<td>4947.00</td>
<td>+</td>
</tr>
<tr>
<td>26</td>
<td>2700.00</td>
<td>+</td>
</tr>
<tr>
<td>27</td>
<td>542.00</td>
<td>+</td>
</tr>
<tr>
<td>28</td>
<td>1993.00</td>
<td>+</td>
</tr>
<tr>
<td></td>
<td>Weekly Total</td>
<td>8742.00</td>
</tr>
<tr>
<td></td>
<td>M-T-D</td>
<td>33629.00</td>
</tr>
<tr>
<td>31</td>
<td>5738.00</td>
<td>+</td>
</tr>
<tr>
<td></td>
<td>Weekly Total</td>
<td>5738.00</td>
</tr>
<tr>
<td></td>
<td>M-T-D</td>
<td>39367.00</td>
</tr>
<tr>
<td></td>
<td>Y-T-D</td>
<td>39367.00</td>
</tr>
<tr>
<td></td>
<td>TOTAL</td>
<td>P</td>
</tr>
<tr>
<td>---</td>
<td>---------</td>
<td>---</td>
</tr>
<tr>
<td>1</td>
<td>678.00</td>
<td>-</td>
</tr>
<tr>
<td>2</td>
<td>2219.00</td>
<td>+</td>
</tr>
<tr>
<td>3</td>
<td>7425.00</td>
<td>-</td>
</tr>
<tr>
<td>4</td>
<td>3336.00</td>
<td>+</td>
</tr>
<tr>
<td></td>
<td><strong>Weekly Total</strong></td>
<td><strong>2548.00</strong></td>
</tr>
<tr>
<td>7</td>
<td>3373.00</td>
<td>+</td>
</tr>
<tr>
<td>8</td>
<td>2587.00</td>
<td>+</td>
</tr>
<tr>
<td>9</td>
<td>5568.00</td>
<td>+</td>
</tr>
<tr>
<td>10</td>
<td>1903.00</td>
<td>+</td>
</tr>
<tr>
<td>11</td>
<td>5634.00</td>
<td>+</td>
</tr>
<tr>
<td></td>
<td><strong>Weekly Total</strong></td>
<td><strong>4123.00</strong></td>
</tr>
<tr>
<td>M-T-D</td>
<td>1575.00</td>
<td>7</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>---</td>
<td>---</td>
<td>---</td>
</tr>
<tr>
<td>14</td>
<td>195.00</td>
<td>+</td>
</tr>
<tr>
<td>15</td>
<td>234.00</td>
<td>+</td>
</tr>
<tr>
<td>16</td>
<td>5299.00</td>
<td>-</td>
</tr>
<tr>
<td>17</td>
<td>12761.00</td>
<td>-</td>
</tr>
<tr>
<td>18</td>
<td>2368.00</td>
<td>+</td>
</tr>
<tr>
<td>Weekly Total</td>
<td>15731.00</td>
<td>3</td>
</tr>
<tr>
<td>M-T-D</td>
<td>14156.00</td>
<td>10</td>
</tr>
<tr>
<td>21</td>
<td>0.00</td>
<td></td>
</tr>
<tr>
<td>22</td>
<td>4742.00</td>
<td>+</td>
</tr>
<tr>
<td>23</td>
<td>5395.00</td>
<td>+</td>
</tr>
<tr>
<td>24</td>
<td>6989.00</td>
<td>+</td>
</tr>
<tr>
<td>25</td>
<td>13353.00</td>
<td>+</td>
</tr>
<tr>
<td>Weekly Total</td>
<td>19689.00</td>
<td>4</td>
</tr>
<tr>
<td>M-T-D</td>
<td>5533.00</td>
<td>14</td>
</tr>
<tr>
<td>28</td>
<td>2507.00</td>
<td>+</td>
</tr>
<tr>
<td>Weekly Total</td>
<td>2507.00</td>
<td>1</td>
</tr>
<tr>
<td>M-T-D</td>
<td>8040.00</td>
<td>15</td>
</tr>
<tr>
<td>39</td>
<td>47407.00</td>
<td>34</td>
</tr>
<tr>
<td></td>
<td>TOTAL</td>
<td>P</td>
</tr>
<tr>
<td>----</td>
<td>---------</td>
<td>------</td>
</tr>
<tr>
<td>1</td>
<td>8444.00</td>
<td>+</td>
</tr>
<tr>
<td>2</td>
<td>1754.00</td>
<td>+</td>
</tr>
<tr>
<td>3</td>
<td>8113.00</td>
<td>+</td>
</tr>
<tr>
<td>4</td>
<td>4526.00</td>
<td>+</td>
</tr>
<tr>
<td></td>
<td>Weekly Total</td>
<td>2441.00</td>
</tr>
<tr>
<td>7</td>
<td>2675.00</td>
<td>+</td>
</tr>
<tr>
<td>8</td>
<td>2201.00</td>
<td>+</td>
</tr>
<tr>
<td>9</td>
<td>2252.00</td>
<td>+</td>
</tr>
<tr>
<td>10</td>
<td>9004.00</td>
<td>+</td>
</tr>
<tr>
<td>11</td>
<td>5530.00</td>
<td>+</td>
</tr>
<tr>
<td></td>
<td>Weekly Total</td>
<td>21662.00</td>
</tr>
<tr>
<td>M-T-D</td>
<td>24103.00</td>
<td>9</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>-------</td>
<td>-------</td>
<td>-------</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>14</td>
<td>1680.00</td>
<td>+</td>
</tr>
<tr>
<td>15</td>
<td>5274.00</td>
<td>+</td>
</tr>
<tr>
<td>16</td>
<td>10165.00</td>
<td>+</td>
</tr>
<tr>
<td>17</td>
<td>1860.00</td>
<td>+</td>
</tr>
<tr>
<td>18</td>
<td>9113.00</td>
<td>+</td>
</tr>
<tr>
<td>Weekly Total</td>
<td>4402.00</td>
<td>5</td>
</tr>
<tr>
<td>M-T-D</td>
<td>28505.00</td>
<td>14</td>
</tr>
<tr>
<td>21</td>
<td>8824.00</td>
<td>-</td>
</tr>
<tr>
<td>22</td>
<td>1598.00</td>
<td>+</td>
</tr>
<tr>
<td>23</td>
<td>748.00</td>
<td>+</td>
</tr>
<tr>
<td>24</td>
<td>2462.00</td>
<td>+</td>
</tr>
<tr>
<td>25</td>
<td>3870.00</td>
<td>+</td>
</tr>
<tr>
<td>Weekly Total</td>
<td>7886.00</td>
<td>4</td>
</tr>
<tr>
<td>M-T-D</td>
<td>20619.00</td>
<td>18</td>
</tr>
<tr>
<td>28</td>
<td>2286.00</td>
<td>+</td>
</tr>
<tr>
<td>29</td>
<td>431.00</td>
<td>+</td>
</tr>
<tr>
<td>30</td>
<td>3481.00</td>
<td>+</td>
</tr>
<tr>
<td>31</td>
<td>4291.00</td>
<td>+</td>
</tr>
<tr>
<td>Weekly Total</td>
<td>9627.00</td>
<td>5</td>
</tr>
<tr>
<td>M-T-D</td>
<td>30246.00</td>
<td>23</td>
</tr>
<tr>
<td>Y-T-D</td>
<td>77653.00</td>
<td>57</td>
</tr>
</tbody>
</table>
Last Hour Trading Rules

1. Know the daily trend.
2. Grind whenever possible.
3. Stop trading when you make your nut.
4. Be patient.
5. Pay closer attention to support and resistance and let the market come to you.
6. Take smaller positions.
7. Don’t add to a position – all in on entry
Grinding (n):

An effort to place quick buys and sells

- Smaller profits
- More frequent trading
- Shortened loss parameters
- Effective on choppy days, at the beginning of the day, at the end of the day, and when you don’t trade the whole day.
Sell Today or Hold?

- Almost never hold-over a day trading position.
- A trade that’s bad at the end of the day will usually continue to run against you at the beginning of the next day.
- *It is best to just get out of the trade.*
- But when you don’t…
  - ... Separate account
  - ... Insure loss with an option
  - ... Make a daily plan
Commentary April 5, 2011

Dear Friends and Family,

I may be a few days or even weeks ahead of myself here, but it takes time for most people to change. That once a year time period to make a major move in your portfolio that I often talk about is just about here. To be clear, that move is moving your investments to cash (or money markets) and eventually finding some shorts if you are a risk taker. I will be protecting any of the profits that I have in long positions with stops of some kind by the end of this week. I will go short on bad market days and go really short when there is a confirmation of the turn to the down side, but more on that when it happens later.
Commentary, continued

The exact time and day is way beyond my capability to call, but here are the three time periods that the timers I follow suggest:

- April 15-20
- 3rd week of May
- 1st week of July

I know these are big ranges, but what I plan on and hope to execute is protecting profits now, which is why I write this early. The market is up 27% since September 1st, and that is profit worth locking in. That’s two or three good years of return for most people and you should consider protecting it NOW!
That said, I have the advantage of day trading, which allows me to trade to the long side on a daily basis when appropriate. You can do that if you are well versed in that, but the market will be volatile until it just plain turns down. The Fed continues to provide liquidity and Ben Bernanke said just last night that the current bout of inflation is merely a short term blip that is commodity based and will go back to acceptable levels very soon.

Well... I don’t think so. I have attached one of the timer’s notes for a much better explanation than I can give. Porter Stansbury is a terrific timer and has proven his worth with me. I would suggest subscribing to his
Service which is loaded with solicitations, but they provide value to me. His piece on the “End of America” is fascinating, and, though poorly named (in my opinion), there are positions he has that are tough to dispute.

I am even moving my fixed income portfolio to more conservative positions. As a further sidebar, I have recommended Silver to some who have asked as an alternative investment for safety. It hit a 30 year high yesterday, and though it has some more room to run, in the last major down move in the market (up to March 2009), there was pull back on even precious metals. I think there will be a correction on Silver, and I am speculating that it will come around mid May.

If you want a free copy...
Post-Trading Strategies
Record Keeping

Before you trade the next day:

- Record all trades manually, as backup documentation

- Convert them to a spreadsheet of some type for tax tracking
  - Trade Log
  - We can provide tracking service; email my partner at Fine Line Administration (carols@daytradingpartnersllc.com)
Trade Journal

- Of course it is crucial to make extensive notes about bad trades, but it is also important to reinforce good trading.
- I try to read past journals daily before trading.
- While daily evaluations are key, don’t let them impact your overall assessment of yourself as a trader.
- Only week-to-date and month-to-date evaluations can give you a good picture of your performance.
The P.E.R.I.L. Scale

* P – Prepare
* E – Emotional Control
* R – Rules
* I – Immediate Impact
* L – Last Hour
Evaluate the Day’s Activities

- Was your homework properly done and properly set up and did you get in the proper mindset?
- Did you keep your emotions in check?
- Did you adhere to your own trading rules?
- Did you make an immediate impact at the right time?
- Did you trade well in the last hour of the day?
- Did you take proper breaks within the day and have alerts in at all times?
- What is your weekly and monthly standing?
How do you improve your critical factors and P.E.R.I.L. rating?
Why Partners are Better

1+1 ≥ 2

● My final turning point – training makes the teacher better

● Discipline at the crucial time vs the Abyss

● You follow the rules better – Admin to Partner
We have put together a partnership that offers

- At least six homework setups per day
- Daily commentary with the ability to ask your key questions
- Timers
- The chance to invest with each other, based on a set of rules
- Daily Audits
- Tax tracking service for Cap Gain/Loss spreadsheet
### Critical Factors in Determining the Edge That Makes the Difference in Day Trading

<table>
<thead>
<tr>
<th></th>
<th>Having the Edge</th>
<th>Losing the Edge</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Trader</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Response</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Patience</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Waits for opportunities to materialize based on well-thought-out game plan.</td>
<td>Plans very little, reacts according to personal whim.</td>
</tr>
<tr>
<td><strong>Discipline</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Sees the big picture; responds deliberately</td>
<td>Is emotional, anxious and often confused about what to do.</td>
</tr>
<tr>
<td><strong>Strategy</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Plans carefully; limits losses lets profits run.</td>
<td>Plans little or not at all; Does not rely on consistent methodology.</td>
</tr>
</tbody>
</table>
### Critical Factors, continued

<table>
<thead>
<tr>
<th>Expertise</th>
<th>Is well-prepared; has done the necessary homework.</th>
<th>Knows little about market</th>
<th>Is unprepared</th>
</tr>
</thead>
<tbody>
<tr>
<td>Motive</td>
<td>Has long-term motive, e.g. intellectual challenge</td>
<td>Wants to make money; wants instant gratification</td>
<td></td>
</tr>
<tr>
<td>Goals</td>
<td>Defines goals clearly.</td>
<td>Has ill-defined goals</td>
<td></td>
</tr>
<tr>
<td>Risk control</td>
<td>Wants highly controlled risk/reward ratio</td>
<td>Knows little or no control over risk/reward ratio</td>
<td></td>
</tr>
<tr>
<td>State of mind</td>
<td>Has positive, resourceful empowering beliefs and focus. Has high level of self-esteem and trust; is relaxed and confident</td>
<td>Is nervous, anxious; Believes the worst will happen. Focus is distracted, trades in conflict.</td>
<td></td>
</tr>
</tbody>
</table>
You May Not Want To Be a Day Trader If . . .
If your monitor has a hole or smash in it . . .
If you have to replace your keyboard more than weekly . . .
If you have a rubberized mouse for bouncing purposes. . .
If the words “margin call” terrify you . . .
If you drive a pinto . . .
If you think the market maker has a secret camera view of your monitor . . .
If the only time you pray is to a stock chart on your monitor . . .
If I have a Day Trading Account of say $1mm, Day Trading Buying Power is $4mm; so how much do I pay in interest: $0
If the pre-market moves triple digit up or down, are you mentally positive and fully ready for a great day? Good Day Traders are.
1 Risk
I’m in cash at the end of the day and know where my money is . . . Do you?
Additional Resources
Day Trader Tax Advantages

- Links to articles about the tax advantages of qualifying as a professional day trader
Q & A
These are not official records and will not be reported to the IRS. Please use this information only as a tool to assist your financial management. Always refer to your Schwab statements and/or trade confirmations for a complete and accurate record of your securities.
These are not official records and will not be reported to the IRS. Please use this information only as a tool to assist your financial management. Always refer to your Schwab statements and/or trade confirmations for a complete and accurate record of your securities.