



Warrior Trading

CHAPTER 1. INTRODUCTION TO TRADING



Making a Living Day Trading

We are going to get into all the details of day trading, but as a basic concept, day traders profit by actively buying and selling shares of stocks. This means we buy stocks with the plan to sell them higher, and for a profit.

The only way we can profit from the market is by trading stocks that are moving. That means day traders look for volatility! If the market is going sideways, we have nothing to trade and we can't profit. The good news is that almost every single day there is a stock making a big move.

Through this course we will discuss finding the right stocks to trade, managing risk, understanding support/resistance, the trading strategies I use everyday, and the nitty gritty including reading level2 and hotkeys.

As you get started trading, remember you should always trade in a paper trading / demo account before trading with real money.



We Will Teach You...

Chapter 1. Intro to Trading Concepts

Chapter 2. Risk Management

Chapter 3. The Right Stocks to Trade

Chapter 4. Setting up your Charts & Understanding Candle Sticks

Chapter 5. Popular Chart Patterns

Chapter 6. Momentum Trading Strategies Part I & Part II

Chapter 7. Reversal Trading Strategies

Chapter 8. Scanning

Chapter 9. Level2, Time & Sales and Hot Keys

Chapter 10. Trade Management

Chapter 11. Trading Plan for the Next 3 months

Chapter 12. Overview of Trading Tools

Chapter 13. Parabolic Movers

Chapter 14. Live Trading Review

Chapter 15. Trading in the Simulator



Today you will Learn

- Brokers Overview
- Margin accounts vs Cash accounts
- PDT Rules
- Leverage
- The process of opening an account
- Order Types (Limit vs Market)
- Routing Options & Fees
- Entering Orders
- Bid/Ask
- Level 1 and Level 2
- Float
- Long vs Short
- Short Sale Restrictions
- Understanding the overall Market
- The Volatility Index
- Reporting your Trades
- Trading is like...



Why Is This Important?

- These concepts will become the foundation you can build your trading career on. Some of you may already be familiar with the basics, but it doesn't hurt to have a refresher!

Brokers Overview

In order to trade you will need to fund a broker account. You have many choices of brokers so it's important to find a broker that matches your needs. The brokers we talk about today are great for day traders.

There are many brokers that cater to retail traders who also want to use their accounts to pay bills, write checks, and need an ATM/Debit card. These brokers are typically better for investors and are not a good option for active day traders.

Best Brokers



As Day Traders we need access to the best tools.

My preferred brokers are Speedtrader & Suretrader, both founded by the same person. They offer an excellent platform, fast order executions, and low price commissions.

Details about our Favorite Brokers

- Speedtrader (requires \$25k min balance and accepts US Traders only)
- Suretrader (requires \$500 min balance and accepts International Traders)



Commissions

Speedtrader

Warrior Trading students with Speedtrader enjoy \$3.95/trade commissions plus ECN fees. (we'll review ECN fees later on).

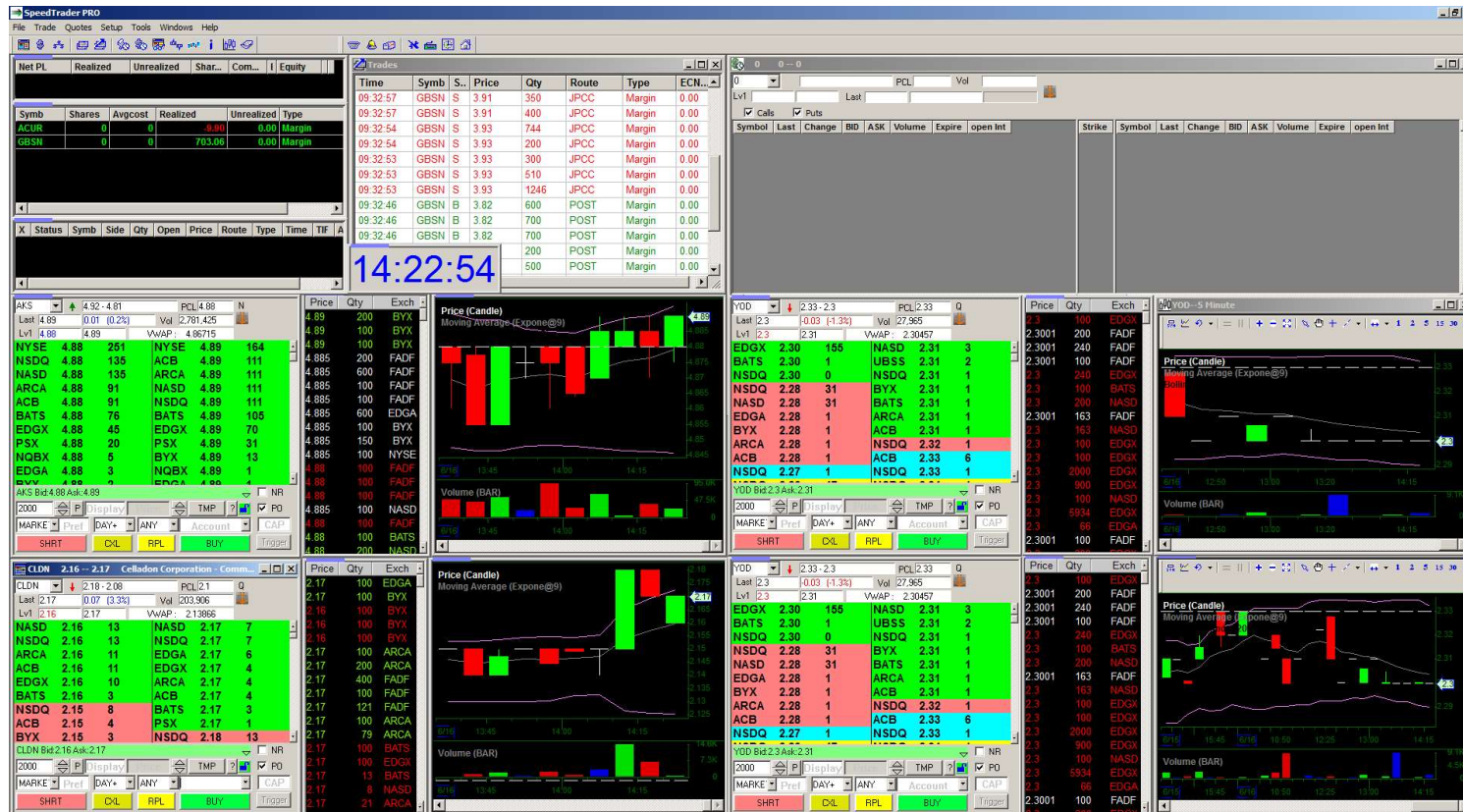
Platform fees at this time are \$0.00/month as long as you generate \$500 in commissions/month.

Suretrader

Suretrader is priced at \$4.95/trade commissions plus ECN Fees.

Platform fees vary between \$49-99/mo.

SpeedTrader & Suretrader Layout



Lightspeed Layout



Local) 14:24:10

MP&L 0 DJIA 17,915.25 Exp 0 S&P 0.00 Cnt 0.00 Ndx F 0.00 M Avg 0 Val 0 Comp 5,062.17 Pos 0 Pend 0

+124.08

Page New Utilities Layout Windows Help ROSSCA

Account Summary

- Marked P&L
- Open P&L
- Closed P&L
- Open Positions
- Shares Traded
- Dollar Value
- Buying Power
- Remaining BP
- Futures BP
- Pending Orders
- Equity

Positions

Symbol	Position	Price	CB Open P&L	CB Closed P&L	CB Marked P&L

Messages

SSL CONNECTION TO QUOTE OK
Welcome to the MarketData Server
Market open

Orders 2

Time	Symbol	Price	Quantity	Side	Contra

Orders

Time	Symbol	Price	Quantity	Side	Contra

Origin Agritech Limited

SEED

TIER	N1	CHG	-0.02	VOL	600.6
LAST	2.71	CLOSE	2.73	OPEN	2.76
LO	2.52	HI	2.77	BxA	90x20

Symbol	Price	Quantity	Symbol	Price	Quantity
ARCA	2.70	90	ARCA	2.72	16
EDGX	2.69	10	EDGX	2.72	4
NSDQ	2.68	46	NSDQ	2.73	14
EDGA	2.68	1	BATS	2.77	1
BATS	2.66	1	BATY	2.92	1
BATY	2.52	1	EDGA	2.92	1
LULD	2.18	1	BOSX	3.18	1
BOSX	2.07	1	PHLX	3.18	1
PHLX	2.07	1	LULD	3.27	1

Order Entry : BITI

Symbol	Shares	Price	Market
BITI	100	17.22	LSPT

Type Visible TIF

Limit 100 0.00 DAY

Inside Bid Inside Ask

SELL 17.22 17.59 BUY

Time & Sales 2

BITI 17.59

Price	Size
17.59	200
17.59	300
17.59	200
17.59	200
17.59	200
17.59	300
17.59	300
17.59	200
17.50	200
17.46	100
17.25	200
17.25	100
17.235	100
17.235	100
17.46	100
17.22	100
17.22	100
17.22	200
17.22	100
17.22	100
17.45	100
17.22	100
17.22	100
17.22	100
17.4101	100
17.41	100
17.45	100
17.45	100

Biotie Therapies Corp.

BITI

TIER	N1	CHG	-0.51	VOL	33.6
LAST	17.59	CLOSE	18.10	OPEN	18.02
LO	17.01	HI	18.22	BxA	2x2

Symbol	Price	Quantity	Symbol	Price	Quantity
ARCA	17.22	2	NSDQ	17.59	2
EDGX	17.10	8	EDGX	17.63	4
NSDQ	17.10	1	BATS	17.75	1
BATS	17.07	1	ARCA	18.20	1
LULD	15.75	1	LULD	19.25	1
BOSX	0.00	1	BOSX	199000.00	1
BATY	0.00	1	BATY	199000.00	1
EDGA	0.00	1	EDGA	199000.00	1

Order Entry 2 : BITI

Symbol	Shares	Price	Market
BITI	100	17.22	LSPT

Type Visible TIF

Limit 100 0.00 DAY

Inside Bid Inside Ask

SELL 17.22 17.59 BUY

Watchlist

Last Price	+/- Stock
- INDEXES	
.INDU 7,915.25	+124.08
.SPA	
.SPX 2,096.97	+12.54
- ETF	
GLD 113.3105	-0.419
QQQ 108.95	+0.74
SLF 34.42	+0.23
SPY 210.28	+1.17
- STOCKS	
AAPL 127.72	+0.81
AMZN 427.18	+3.51
BAC 17.51	+0.04
C 57.08	+0.43
FB 81.275	+0.565
GE 27.1901	-0.019
GOOG 528.8458	+1.645
GS 213.23	+1.47

Ameritrade Layout



The screenshot displays the Ameritrade trading interface for GameStop (GME). At the top, the account information shows a balance of \$200,000.00 and a net liquid position of \$200,000.00. The main window is divided into several sections:

- Order Entry:** A central area for entering orders, showing a 'Buy MKT' order for 100 shares at a price of 42.375. The order is currently in a 'Pending' state.
- Market Data:** A table showing the current bid and ask prices for GME, along with the last trade price and volume. The bid is 42.37 and the ask is 42.38.
- Order Book:** A list of buy and sell orders, showing the price, quantity, and time of each order. The top of the order book shows a bid of 42.37 and an ask of 42.38.
- Market Watch:** A list of other stocks being tracked, including NYSE, ARCA, BATS, and others, with their respective bid and ask prices.
- Charts:** Two candlestick charts for GME. The left chart shows the price movement from 10:08 AM to 4:13 PM, with a red box highlighting a price range between 42.30 and 42.38. The right chart shows the price movement from 2:25 PM to 4:23 PM, with a red box highlighting a price range between 42.30 and 42.38.
- Order Confirmation Dialog:** A pop-up window showing the details of the order being placed, including the account name 'paper money', the order description 'SELL -100 GME @42.40 LMT [TO OPEN]', and the resulting buying power for the stock and options.



Margin vs Cash Accounts

Cash Accounts

There are 2 types of trading accounts. Cash accounts allow you to only trade with the available cash balance. This means if you put in \$25k, you can only buy \$25k worth of stock. More importantly, when you sell that stock, you have to wait 3 days for the trade to settle before you can reinvest those funds. For Day Traders who trade 10 or more times/day, we need trades to settle immediately.



Margin vs Cash Accounts

Margin Accounts

Margin accounts allow you to borrow money from your broker to continue trading instead of waiting 3 days for each position to settle. When you apply for a margin account the trades will settle instantly. This means you can use your \$25k account balance all day long. You could trade 1mil worth of stock buying and selling again and again.

Here's the catch! In order to Day Trade with a margin account you need to maintain a \$25k min balance.



PDT Rules

The Pattern Day Trader (PDT) Rule

The PDT Rule states that if you execute more than 3 day trades in a 5 day rolling period you are a day trader. In order to day trade out of margin account you must maintain the \$25k min balance.



Leverage

With Margin comes Leverage

Once you have been approved by your broker for a margin account, they will give you leverage. This is where things get risky! Leverage comes with all margin accounts as long as it's not an IRA account.

Leverage means you can borrow money from your broker to execute trades. This can be very useful while trading, and especially while building small accounts.

Leverage is 4x during the day for US brokers. That means you min \$25k balance gives you \$100k in buying power. But remember, your broker is letting you borrow up to \$75k to day trade, this privilege carries great responsibility!



Suretrader

Hold up!

You may be scratching your head thinking “I don’t have \$25k”, and “I thought you said Suretrader have a \$500 min balance”.

Suretrader is located in the Bahamas and isn’t required to uphold the PDT rules. This is a tremendous opportunity for new traders because it allows you to begin trading on a margin account with leverage, for only \$500.

Suretrader also isn’t limited to 4x leverage and gives 6x leverage. That means if you fund an account with a modest \$2k balance, you will have \$12k in buying power on margin and leverage.



Opening an Account

Opening an account with a broker is very similar to opening a bank account. You have to provide 2 form of ID, proof of residency (utility bills), and sign agreements. When applying for margin accounts you have to sign margin agreements and disclose your level of experience as a trader. If you say you have zero experience trading, they may deny your margin account.

Once your account has been approved, it's ready to be funded. I typically use wire transfer to add/remove money from my accounts. Wire transfers are same day, and I just don't feel like waiting.



Slow Down

Opening a new account is exciting but you shouldn't start actively trading until you have already PROVEN you have a successful trading strategy. This means trading first in a demo account.

As you work your way through this class it's a great opportunity to practice the strategies we teach in the simulator.

In order to trade in a simulated environment, you will need to know the basics of how to entry a trade.



Order Types

There are three basic types of orders you can send to buy or sell shares.

Market Orders: A market order to buy or sell will give you shares at “market price”. This is your way of telling the broker to give you shares, and you don’t care what price. This typically isn’t a good method for day traders because the price we pay will directly impact how profitable the trade will be.

Limit Orders: In contrast to a Market Order, a Limit order requires you to put in a price, which is the MOST you are willing to pay, or the LEAST you are willing to sell for. This is the type of order I use.

Stop Orders: These types of orders are triggered when a stock crosses a certain price. These are typically used as Stop Loss orders, to sell your position at a loss if a certain threshold has been crossed. These can be sent as Market or Limit orders.



Order Routing Methods

Think of the market as an island. On this island all the buyers and sellers meet to exchange shares. This is where everyone goes to buy and sell.

There are dozens of bridges to get to this island.

When you send an order from your broker, they will automatically choose which bridge they think is fastest, using a Smart Routing system.

Alternatively, you can choose to directly route through the electronic communications network (ECN) that you prefer. Like bridges, ECN's charges "tolls" or fees for their use. These are in addition to commissions.

Some brokers won't allow you to choose which route you use, and in exchange, won't charge you ECN fees. The problem is that they may choose slow routes and you can't do anything about it.



Order Routing Methods

You can use the Smart Routing "Limit", or you can direct route, with any of the ECN's listed here with Speedtrader.

I generally choose 1 ECN that has low fees and use that one. I find the orders are typically a little faster than using the Smart Routing.

You can ask your broker to give you a list of the ECN fees and then choose a route that isn't too expensive.

Typical fees will be .0015 or \$1.50 x 1k shares

Open an Account Account Login Live Support
 Call toll-free: 1 (800) 874-3039

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Routing Fees

- Prices
- Commission Fees
- Account Fees
- Software Fees
- Routing Fees
- Margin Fees

Online Trading Fees

Venue	Add Liquidity	Take Liquidity	Outbound Shares
SPTD SMART	\$0.0015	\$0.0015	\$0.0015
ARCA	(\$0.002)	\$0.003	\$0.0035
CCMX	\$0.003	\$0.003	\$0.003
EDGA (Routeable)	(\$0.0006)	\$0.003	\$0.003
EDGA (Non-Routeable)	(\$0.0006)	\$0.003	\$0.003
EDGX	(\$0.002)	\$0.0029	\$0.0029
INET	(\$0.002)	\$0.003	\$0.003
ITG	\$0.0015	\$0.0015	\$0.0015
JPCC	\$0.0015	\$0.0015	\$0.0015
QUIK	\$0.005	\$0.005	\$0.005
LQPT	\$0.0015	\$0.0015	\$0.0015
NASDAQ	(\$0.002)	\$0.003	\$0.003
NIX	0.003	\$0.003	N/A



Bid and Ask



Every stock has a Bid and an Ask. You can place trades at either the Bid price, the Ask price, or between the “spread”.

The Bid is where Buyers can place orders and wait for somebody to sell them shares.

The Ask is where Sellers can place orders and wait for somebody to buy shares. As a seller, to get the best price, we want to force somebody to buy our shares at the ask price. However, we can always sell to one of the buyers on the Bid. This will be for a lower price.



Level 1

YOD	↓	2.33 - 2.3	PCL 2.33	Q	
Last	2.3	-0.03 (-1.3%)	Vol 27,965	⚓	
Lv1	2.3	2.31	VWAP: 2.30457		
EDGX	2.30	155	NASD	2.31	3

Level 1 is the first depth of the market. This is the Bid and Ask. The Bid Ask above shows the ECN that is holding the shares, the Price, and the Number of shares available. 155 = 15,500 (add 2 zeroes)

In this case if you want to buy share of this stock, there are 300 available at 2.31. You could sit and wait with an order at 2.30, or you could buy immediately from a seller at 2.31.

I buy shares on the Ask price so I can get in immediately.



Level 2

Level 2 is very important because it shows you the Market Depth. This shows you the Bid and Ask, but also how many buyers are lined up just below the bid and just above the ask. This tells us if there are big buyers/sellers close by. We will discuss Level 2 in more detail later on.

The screenshot shows a trading platform interface for YOD. At the top, it displays the current price range (2.33 - 2.3), PCL (2.33), Last price (2.3), change (-0.03, -1.3%), Vol (27,965), and VwAP (2.30457). The main table shows market depth with columns for price, quantity, and exchange. The bid side (left) is highlighted in red, and the ask side (right) is highlighted in green. The current bid is 2.30 and the ask is 2.31.

Exchange	Price	Quantity	Exchange	Price	Quantity
EDGX	2.30	155	NASD	2.31	3
BATS	2.30	1	UBSS	2.31	2
NSDQ	2.30	0	NSDQ	2.31	1
NSDQ	2.28	31	BYX	2.31	1
NASD	2.28	31	BATS	2.31	1
EDGA	2.28	1	ARCA	2.31	1
BYX	2.28	1	ACB	2.31	1
ARCA	2.28	1	NSDQ	2.32	1
ACB	2.28	1	ACB	2.33	6
NSDQ	2.27	1	NSDQ	2.33	1

YOD Bid:2.3 Ask:2.31

2000 P Display Price TMP ? PO

MARKE' Pref DAY+ ANY Account CAP

SHRT CXL RPL BUY Trigger



Time & Sales

Next to the Level 2 window is our Time and Sales window. This shows us each order as it's placed. Red orders occur on the Bid price, Green orders on the Ask Price, and white orders are in between the spread.

Learning to read the Time & Sales to understand order flow will be important. Again, we will cover this later on in the course.

YOD						Price	Qty	Exch
Last	2.3	-0.03 (-1.3%)	Vol	27,965		2.3	100	EDGX
Lv1	2.3	2.31	VWAP	2.30457		2.3001	200	FADF
EDGX	2.30	155	NASD	2.31	3	2.3001	240	FADF
BATS	2.30	1	UBSS	2.31	2	2.3001	100	FADF
NSDQ	2.30	0	NSDQ	2.31	1	2.3	240	EDGX
NSDQ	2.28	31	BYX	2.31	1	2.3	100	BATS
NASD	2.28	31	BATS	2.31	1	2.3	200	NASD
EDGA	2.28	1	ARCA	2.31	1	2.3001	163	FADF
BYX	2.28	1	ACB	2.31	1	2.3	163	NASD
ARCA	2.28	1	NSDQ	2.32	1	2.3	100	EDGX
ACB	2.28	1	ACB	2.33	6	2.3	100	EDGX
NSDQ	2.27	1	NSDQ	2.33	1	2.3	2000	EDGX
YOD Bid:2.3 Ask:2.31						2.3	900	EDGX
2000 P Display TMP ?						2.3	100	NASD
MARKE Pref DAY+ ANY Account CAP						2.3	5934	EDGX
SHRT CXL RPL BUY Trigger						2.3	66	EDGA
						2.3001	100	FADF



Float

It's important to remember that we're trading in a closed market. This means when we buy shares, we're always buying from a seller, and when we sell shares, we're always selling to a buyer.

When a company has its Initial Public Offering, they release a fixed number of shares onto the open market. This becomes the company's "Float". The Float is simply the number of shares available to trade.

We are all trading out of the same pool of shares, although sometimes large quantities of shares can be purchased by banks and institutions, which makes them unavailable for trading. That means if a company has a 70% institutional ownership, the amount of the float that is actually available to trade on a day to day basis is only about 30%.



Float continued

The reason why float is important is because this represents the SUPPLY of shares for a stock. If there is a very limited supply (less than 50million available shares), the stock can move very quickly if there is a high level of demand due to breaking news.

In contrast, a company like Bank of America, has a float of over 10billion shares. In a practical sense, this means a stock like Bank of America will move very slowly. Even great news won't likely result in massive moves.

As a Day Trader, we will primarily be trading stocks with low floats of under 100million shares. However, there will be times when the combination of high institutional ownership and exceptional news will make a higher float stock worth trading.

Low Float Level 2

Market Depth WATT Regional

Bid 10.50 Bid Size 16 Low 10.50 Change
Ask 10.53 Ask Size 8 High 11.25 Change(Open)

MM	Bid	Size	MM	Ask	Size
PSE	11.15	10	PSE	11.18	1
NMS	11.14	1	NMS	11.19	11
BATS	11.12	1	EDGX	11.20	13
EDGX	11.10	5	EDGA	11.20	1
BATY	10.82	1	BATY	11.21	1
EDGA	10.33	2	BATS	11.27	3
BSE	8.25	1	BSE	13.70	1
PHILc	8.25	1	PHILc	13.70	1

Big Float Level 2

Market Depth window showing BAC Regional data. The window displays bid and ask prices, sizes, and market maker (MM) information. The bid price is 15.11 with a bid size of 1064. The ask price is 15.12 with an ask size of 27. The low price is 14.83 and the high price is 15.14. The change is not specified, and the change on open is also not specified.

MM	Bid	Size	MM	Ask	Size
NYSE	15.11	1054	PSE	15.12	151
NMS	15.11	682	NYSE	15.12	47
EDGX	15.11	393	BSE	15.12	43
PSE	15.11	374	PHIL	15.12	34
BATS	15.11	188	BATS	15.12	27
EDGA	15.11	117	NMS	15.12	17
BATY	15.11	42	EDGX	15.12	16
PHIL	15.11	6	EDGA	15.13	55
BSE	15.11	3	BATY	15.13	30
NSXc	15.00	6	NSXc	15.25	6
MSEc	14.86	800			



Order Entry Window



The Order Entry window is where you place your orders.

Choose your Share Size, your Price (for limit orders), your Order Type, and your Route.





Order Entry Window

YOD	2.33 - 2.3	PCL 2.33	Q
Last	2.3	-0.03 (-1.3%)	Vol 27,965
Lv1	2.3	2.31	VWAP: 2.30457

Exchange	Price	Qty	Exchange	Price	Qty	Exch
EDGX	2.30	155	NASD	2.31	3	EDGX
BATS	2.30	1	UBSS	2.31	2	FADF
NSDQ	2.30	0	NSDQ	2.31	1	FADF
NSDQ	2.28	31	BYX	2.31	1	EDGX
NASD	2.28	31	BATS	2.31	1	BATS
EDGA	2.28	1	ARCA	2.31	1	NASD
BYX	2.28	1	ACB	2.31	1	FADF
ARCA	2.28	1	NSDQ	2.32	1	NASD
ACB	2.28	1	ACB	2.33	6	EDGX
NSDQ	2.27	1	NSDQ	2.33	1	EDGX

Price	Qty	Exch
2.3	100	EDGX
2.3001	200	FADF
2.3001	240	FADF
2.3001	100	FADF
2.3	240	EDGX
2.3	100	BATS
2.3	200	NASD
2.3001	163	FADF
2.3	163	NASD
2.3	100	EDGX
2.3	100	EDGX
2.3	2000	EDGX
2.3	900	EDGX
2.3	100	NASD
2.3	5934	EDGX
2.3	66	EDGA
2.3001	100	FADF
2.3	200	EDGX

YOD Bid:2.3 Ask:2.31

2000 P Display Price TMP ? PO

MARKET Pref DAY+ ANY Account CAP

SHRT CXL RPL BUY Trigger



My Account Window

SpeedTrader PRO

File Trade Quotes Setup Tools Windows Help

Net PL	Realized	Unrealized	Shar...	Com...	Equity

Symb	Shares	Avgcost	Realized	Unrealized	Type
ACUR	0	0	-9.90	0.00	Margin
GBSN	0	0	703.06	0.00	Margin

Time	Symb	S..	Price	Qty	Route	Type	ECN...
09:32:57	GBSN	S	3.91	350	JPCC	Margin	0.00
09:32:57	GBSN	S	3.91	400	JPCC	Margin	0.00
09:32:54	GBSN	S	3.93	744	JPCC	Margin	0.00
09:32:54	GBSN	S	3.93	200	JPCC	Margin	0.00
09:32:53	GBSN	S	3.93	300	JPCC	Margin	0.00
09:32:53	GBSN	S	3.93	510	JPCC	Margin	0.00
09:32:53	GBSN	S	3.93	1246	JPCC	Margin	0.00
09:32:46	GBSN	B	3.82	600	POST	Margin	0.00
09:32:46	GBSN	B	3.82	700	POST	Margin	0.00
09:32:46	GBSN	B	3.82	700	POST	Margin	0.00
				200	POST	Margin	0.00
				500	POST	Margin	0.00

14:22:54

AKS	4.92 - 4.81	PCL	4.88	N
Last	4.89	0.01 (0.2%)	Vol	2,781,425
Lv1	4.88	4.89	VWAP:	4.86715

NYSE	4.88	251	NYSE	4.89	164
NSDQ	4.88	135	ACB	4.89	111
NASD	4.88	135	ARCA	4.89	111
ARCA	4.88	91	NASD	4.89	111
ACB	4.88	91	NSDQ	4.89	111
BATS	4.88	76	BATS	4.89	105
EDGX	4.88	45	EDGX	4.89	70
PSX	4.88	20	PSX	4.89	31
NQBX	4.88	5	BYX	4.89	13
EDGA	4.88	3	NQBX	4.89	1

Price	Qty	Exch
4.89	200	BYX
4.89	100	BYX
4.89	100	BYX
4.885	200	FADF
4.885	600	FADF
4.885	100	FADF
4.885	100	FADF
4.885	600	EDGA
4.885	100	BYX
4.885	150	BYX
4.885	100	NYSE
4.88	100	FADF
4.88	100	FADF
4.88	100	FADF
4.885	100	NASD
4.88	100	FADF
4.88	100	BATS
4.88	200	NASD

Price (Candle)
Moving Average (Exponent@9)

Volume (BAR)



Long vs Short

If you are new to trading you may not be familiar with the concept of shorting. Just as you can buy stocks and profit as they go up, you can sell stocks, and profit as they go down.

When you sell short 1000 shares your account will show -1000 in red. As the stock drops down, you will see your profits increase. In order to close the position you have to “cover” the short. Buying shares will cover your short.

Since you are selling shares when you short, you are borrowing them from your broker. The risk in shorting is that you will eventually have to buy back the shares. If the stock goes the wrong way, and goes up 10,000%, you could lose far more than you initially put into the trade. Many traders have blown up their accounts shorting penny stocks and hot momentum stocks.

Many traders find themselves with either a long biased or a short biased. If you are a short biased trader you will have to make sure you broker has shares available for you to borrow, so you can short.

The Long Biased Market



Historically the Market has been consistently strong, despite some years of bearish markets. As a result, the market has a strong bullish sentiment. Many traders who have a short bias, are trying to short the worlds strongest bull market. This can result in massive losses if they aren't professionally trained to manage risk.





SSR Restriction

Short Sale Restriction

The market has what's called a Short Sale Restriction. It restricts your ability to short stocks as market orders on the BID, when stocks have dropped more than 10% in 1 day. This means you can only short a stock when it's moving UP. Shorting on the "Uptick". The fact that we have this rule in place shows that we benefit from a institutionalized long bias in the market

Imagine a Long Buy Restriction, where you can't market into a stock unless it was selling off. It's unthinkable! Stocks routinely rally 100% in 1 day, we've even seen stocks run over 1000% in a matter of days. This is considered good for the market, and the market encourages it by allowing these types of runners, while preventing equally dramatic sell offs.



The Overall Market

As Day Traders we focus on the small picture. We are looking at which stock TODAY has breaking news and a reason to surge up. Mutual funds that trade alongside the overall market aim for 5-7% gains/year. As Day Traders, we're looking for stocks that can move that much in a single day. This means aggressively hunting the market for the breaking news catalysts, and jumping into different stocks each day based on price action.

We look to trade stocks that have a reason to buck the overall trend in the market. The market may be down, but if a stock has great news, it usually doesn't matter too much.



The \$SPY

The market trade with the most volume in the first 1hr of the day. This is generally in response to overnight news and earnings. This is when I do the bulk of my trading. I trade when the markets are most active, and when stocks have a reason to make big moves.

As we move towards lunch time and into the afternoon, stocks often begin to settle down. This means we need to find an intraday catalyst. This will come in the form of one of our morning stocks continuing to be extremely strong, mid-day breaking news, or reversal setups. Stocks that have been extremely strong or weak all day may be due for a reversal. This is where the overall market comes into play. When extremely weak stocks are selling off with the overall market, I will watch for the market to start to bounce as I consider taking a reversal setup. I watch the \$SPY (S&P 500) for indicators of market direction.



The Volatility Index

It's also worth noting that on days when the overall market is making extreme moves, say big news overnight that results in the market opening much higher or lower (gapping up or gapping down), we do need to be mindful that the pressure of the market could weigh on the stocks we're watching.

During extreme market conditions (300+ point sell offs), we can also watch the Volatility Index for market sentiment, and market reversals. Some traders will even trade the Volatility Index through leveraged funds such as \$UVXY or \$SVXY. So when the market begins to sell off, they buy the VIX since the fear and volatility is increasing. When the market begins to bounce off the lows, they may decide to short the VIX for the correction.

“VIX values greater than 30 are generally associated with a large amount of volatility as a result of investor fear or uncertainty, while values below 20 generally correspond to less stressful, even complacent, times in the markets” - Investopedia



Tracking your Trades

As you get started it's important that you begin tracking all your trades in an excel or google sheets type of doc. You want to begin to understand your percentage of success and your average winners vs average losers. This will become your baseline or starting point for your career. We will take this information and begin to draw conclusions from the data about the time of day you trade best, the price range where you make the most money, and the causes of some of your biggest losses

You can download my Excel doc here:

<https://www.warriortrading.com/excel-trade-sheet/>



Tracking your Trades

You can download my Excel doc here:
<https://www.warriortrading.com/excel-trade-sheet/>

2016-TradeRecords [Protected View] - Excel

PROTECTED VIEW Be careful—files from the Internet can contain viruses. Unless you need to edit, it's safer to stay in Protected View.

	A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q	R	S	T	U	V	W	X	Y	Z	AA
1	Date	Entry	Gap	Surging	1st	2nd	3rd	News	Top	Bot	Bad	Stock	#	Buy	Sale	Net \$	Return	Return	Return	Return	Total	Total	Gross	Loss	Win		
2	Time	Source	& GO!	Momo	Flag	Flag	Flag	Trade	Rev	Rev	Risk	Symbol	Options	Bought	\$ Per	\$ Per	Gain/Loss	Win	Loss	Rate % +	Rate % -	Investment	Comissions	Return		Notes	
3	Tuesday	am	Scanners									ITMN	Long	1,000	45.6700	45.7200	50.00	0.05		0.11%		45,670.00	0.00	45,720.00	0	1	Light Vol, slow mover
4	Wednesday	am	Gappers									CSIQ	Long	2,000	27.5200	27.9552	870.40	0.44		1.56%		55,040.00	0.00	55,910.40	0	1	
5	Wednesday	pm	Gappers									CSIQ	Short	2,000	28.7700	28.8700	-200.00		-0.10		-0.35%	57,540.00	0.00	57,740.00	1	0	
6													Options										0.00				
7																							0.00				
8																							0.00				
9																							0.00				



We all have our place

Where is your place in the Market?

Are you good at spotting reversals?

Consolidation Breakouts?

Track all of your trades and review the data to see where you excel and where you fall behind.

You might be surprised with what you find!



Be good at 1 Strategy

Learning to Tread Water in the market.

If you can be good at just 1 setup you can be successful

Just Wait for that setup and scan aggressively for that setup.

Get good at 1 setup, then branch out.

My favorite are the Gap and Go, Momentum, and Reversal Strategies, which we will cover later in this course.



Making it look easy

A lot of people think I make it look easy when I'm trading. The reality is I'm using the best tools available and I've had a lot of practice.

Think about trying to ride a road bike in the sand on the beach. No matter how hard you try you won't make any progress. Then here comes Ross on a beach bike with fat tires pedaling along without any trouble. I'm making it look easy, but I'm using the right tools for the job.

We have so many students that simply don't have the education to know which tools and strategies they should be using. As a result, they struggle. So during this course, take things slowly. Study hard, practice in a simulator, and let us know if you have questions.



Is trading like fishing?



1. Sometimes fishing / trading is great, sometimes it's not, we can't control this.
2. There are greater influences that are out of our control (weather, mechanical failure vs economic conditions or technical failures)
3. Trading Losses vs losses due to repairing equipment, having to wait out a storm, etc.
4. Being self employed means learning to get through the hot streaks and the slumps with composure.



Homework

For homework I want everyone to begin tracking trades on an excel doc. You need to track time of day, Entry/Exit, Profit/Loss, and the SETUP you took.

This data will become extremely useful as we develop your trading strategy!

Tracking Doc: <http://www.warriortrading.com/excel-trade-sheet/>

Extras & Links

Email me with questions ross@warriortrading.com

