

To make money trading the market you go where the profits are.

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"If you are going to catch fish, you have to go where the fish are." How easy is that? Obvious not too easy, else there would not so many stocked trout parks. The same applies to trading profits: "The more volatility a market has, the better suited it is for profitable trading. To assess which markets are better day trading or swing trading (2 to 5 day holding period) the trader needs a way calculate or forecast volatility. There are many objective ways to do this: ADX, Option Premium Implied Volatility, CBI's %C or to simply divide the market's price by its average daily range or true range. In using this later "indicator" the lower this number, the more important it is for a trader to hold positions for longer periods of time in order to rise above the noise (defined as the spread between the bid/ask, plus commissions). In the commodity markets, it would be silly to try to day trade oats. This market is best suited toward establishing a position either on a cyclical play or, perhaps, a technical breakout from long base formation. However, in the stock index futures, for example, there are both sufficient volatility and enough intra-day swings for a trader to actually make a living day trading. However, as of the last year or so there is an increasing amount of opportunity in day trading some more tradition markets that have now gone electronic.

It is obvious that "big money" is made on capturing the larger swings in any market. However, these types of opportunities only come along a few times a year. This last sentence is worth repeating as most traders think it is Christmas everyday and it applies to both day trading and position trading: For position trading "big money opportunities" only come along a few times a year, a few being 2 or 3. For day trading what we call the big money opportunities are "range days" (See the chart below of the ER2) where the system has you long at the open of the day which is near the low and the market closes on its highs where you exit and the inverse is true for a short trade. In this regards, you may only get 2 or 3 of them per month!

Hence, a good trader will make many smaller trades according to his trade plan, his strategy or his system, constantly probing the market until the technical's line up for a play where bigger leverage can be used. Also, execution skills will ultimately play a large role in a trader's overall profitability. Constant practice getting in and out of the market, even if it means scratching many trades, is key. Only with practice will a trader learn to get the feel of placing his orders at just the right time. And, frankly, it is only

after a trader has made numerous trades that there is a lessening of the emotions and anxieties that invariably go along with pulling the trigger. Perhaps this is why most of the more profitable traders are active, diversified and systematic. Some days traders can make more than 500 trades a day, and quickly learn to ditch the losers for a small loss or scratch the trades that do not show an immediate gain. The same efficacy applies to the 2 to 3 day swing traders as well. Bottom line, the best professionals are exceptionally good at playing defense.

Yesterday's history, tomorrow's a mystery.
It's all about what you do now.

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