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How To Think Like A Winning Day Trader

Provided by www.day-trading-mind.com

What makes the best traders successful?

Are they "lucky"? Have they discovered some "secret" indicator?

No.

They've learned the truth about trading. Trading success is as simple as 1-2-3.

Step 1 - Understand what trading is really about;

Step 2- Learn what a winning day trader does;

Step 3 - Then do it. Continually.

1. The Essence Of Successful Trading

Trading is all about percentages.

You enter a trade because you believe that it's more likely to succeed than fail.

The job of finding favourable trades goes to your trading system. There are numerous books and courses about trading systems. The actual trading system you use is beyond the scope of this article, but please, please, understand this:

If you're searching for the perfect trading system - you know, the one that delivers profits on demand - you'll be searching until the end of time.

Successful trading is simply a game of probabilities. Does that disappoint you? Were you hoping for something a little more intellectual? Do you know how many academics - doctors and lawyers particularly - lose fortunes in the market each year?

The positive bias comes from your trading system. Our advice is keep it simple. Find a system you're comfortable with. Know the setups. Understand why and when you enter and exit. Then stick to it.

Sure, some trading systems offer a higher profitability than others. But don't get hung up on it. Just don't get too caught up on it. The real determining factor is your ability to follow it.

2. What Makes A Successful Day Trader

A successful day trader is someone who follows a trading plan.

Your trading plan tells you when to enter a trade, and when to exit. An entry point. An exit point - either a target or just to get stopped out. Parabolic SAR, lower bollinger, natural support and resistance, volatility stop. Whatever.

Any trader must understand the timeless law of probability. That with a positive bias and a sensible approach to money-management (cutting your losses and letting your profits run), eventually you'll come out ahead.

What makes day trading so challenging is the speed. You simply execute trades faster, and compound your profits faster - which is why we do it.

That's why a day trader is NOT a stressed-out, valium-swallowing, adrenaline junkie who lives from one minute to the next.

A good (i.e. profitable) day trader knows that it's just another trade. It's all just statistics in action.

The important point here is consistency. Like the heads / tails example, the one time you don't take a trade is when the market takes off and never looks back.

Day trading is boring. Keep it that way.

3. How To Develop The Day Trading Mind

Every time you sit down at your trading screen, remind yourself that "trading is statistics in action".

Nobody knows what the market is going to do next. It's a law unto itself. You follow what works "most of the time".

When you understand that trading is about probabilities, that any trading system is designed to provide a positive bias over the long term, then all you have to do is execute the plan. So what is it that prevents you from being successful?

You.

Or rather, the emotional you.

You need to work on developing the mindset of a professional trader. Try this routine for 30 days and see how you go:

BEFORE: (At the start of trading day)

Step 1 - close your eyes, and remind yourself of the truths of trading: "Trading is all about probabilities". Write this on a yellow Post-It note and stick it to your monitor. Permanently.

Step 2 - Mentally see yourself following your trading plan. Entering a trade on signal. Exiting at the right time. Trading the right size for your account.

Step 3 - Visualize each trade as a tiny part of a big picture. You might want to visualize it as a matrix, with 100 boxes. Each trade is unimportant compared to the overall scheme. Create your own image for this. (Your own is best.) Trading is a visual process. The point is you need a visual metaphor to distance yourself from the immediacy of real-time trading. Anything.

DURING: (When in a trade)

Step 1 - Physically relax. Remember the definition of emotion? "A physical disturbance." You need to reduce emotional power as much as possible. Prevent it from creeping up on you, and doing something silly. So you don't feed it. Relax.

Be aware of your whole body. Remember the last time you got stressed. What did it feel like? Tense shoulders? Stomach muscles tightening? Relax those areas now. Know thyself.

Note - none of this suggests that you should be slow about entering or executing trades. Quite the opposite! In real-time trading you must be fast. But you are operating from your rational, thinking mind... and not the panic-induced animal mind fighting for survival!

Step 2 - Breathe! Some traders stop breathing completely in a trade! Breathe in slowly for a count of four, hold it for four, and breathe out for four.

Step 3 - Focus on yourself. Following a trading plan is a "no brainer". You enter. You trail a stop. You exit. Self-talk helps stay in the state. Remember that when you're watching the price in real-time, there's a tremendous danger of adding emotional fuel to a simple situation. Watch how you're feeling. Observe any tension and let it go.

Step 4 - Watch your language! Words affect us profoundly. Ever had someone scream at you? Stirred up lots of emotion, didn't it? So don't scream at the market. Speak calmly.

Commentate on what the market's doing. Speak out loud. "The current trade began at hh:mm, the system gave a buy signal at price level, the target is with a stop at.. Stop loss was moved to break even at as per the plan... The market is currently in trading range between x and y..."

All this helps you to stay objective.

Also, avoid "what if" thinking. Creativity has no place in trading! Be mechanical . Be objective.

Step 5 - Continually remind yourself of what successful trading is. See the current trade as just another trade. on just another day. Your job is to follow the system - professionally and without emotion. With practice, you truly won't care whether the current trade turns a profit or a loss.

AFTER:

Review. How did you do? Were you trading rationally, or emotionally? How much? This isn't black and white. It's about balance. Think of it as 2 bar charts. The higher the rational level, and the lower the emotional level, the more successful you'll become.

Master yourself. And the money will follow.

Good Trading

Best Regards
Mark McRae

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