

# How to Best Day Trade

Every day trader has to find the answer to critical questions:

- Which assets do you want to trade?
- At which trade situations do you want to engage in a trade?
- How much risk do you accept?

Regardless of the type trader, you are, you only produce a return on your investment when you trade where prices move!

- Day traders: open and close all position on the same day
- Swing traders hold positions for a couple of days
- Long-term investors hold for weeks, months, and years

We will cover how to combine trading styles for higher returns in a separate article.

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Many new traders immediately jump for trading futures, and we understand the reasons why:

Brokers offer fantastic margin breaks when you operate with bracket orders, and many of you feel you can take the one or the other \$100 quickly from the market.

However, are you aware of the value of the underlying instrument?

When trading the E-Mini S&P 500, for example, you control a value of  $3,100 \times \$50 = \$155,000$ . When trading for a 2-point move, it reflects an

0.06% value change, which is part of the natural volatility of the instrument.

Good luck with that.

We sure teach how you can trade Futures; however, we focus on meaningful price moves, rather than trading in the middle of the statistical volatility of the underlying asset.

Day trading stocks, on the other hand, allows for:

- Avoiding the overnight risk of potential gaps
- Granting you a four-times margin for trading stocks
- Trading for a minimum of 1% return on cash or 4% return on margin
- Taming the risk while trading for meaningful price moves
- Choosing from a vast universe of stocks to day trade

When you are day trading stocks, the SEC (security exchange commission) requires you to hold a minimum of \$25,000. If you want to qualify for shorting stocks, you need a margin account.

In case you are holding a small account, you might want to look into FOREX trading. FOREX brokers allow you to scale your risk according to your account size: In trading, we predict a potential price move; however, we cannot be sure that it happens. Such, we do not control it; however, we can control the risk we accept trade by trade.

Back to trading stocks, where prices move. You have three choices to select your decision-making basis:

Trading Base	Percentage Usage
<b>Time-based:</b> picking potential price moves by time ranges like minutes or hours and their price indications	90%
<b>Tick-based:</b> observing the number of stocks exchanged in combination with price indications	5%
<b>Range-based:</b> combining price indications with the accomplishments of fixed price-moves (price ranges)	5%

Our research shows that time by far is the dominant decision-making basis for day traders, used by 95 out of 100 traders.

Like in a poker game, in trading, you better understand that the party taking the other side of your trade is focusing on making money by predicting your behavior. When operating with price ranges, you are outside the statistical predictability (5% range or at 2-sigma), which builds a sound basis for high probability trading.

Our day trading studies showed above 70% predictability when operating with the NeverLossTrading indicators and intraday price ranges.

Here is how we do it:

Our scanners identify day-by-day stocks with underlying changes in supply and demand that have a high likelihood of a predictable intraday price move.

For trading stocks with price pressure intraday, we calculate applicable price ranges in relation to the daily NLT SPU (Speed Unit). SPU is a central measure used in the NeverLossTrading concepts.



NLT **SPU** = Price Move/Time Unit (Price Speed)

A dynamic measure, constantly adjusting to actual

**SPU-Trade-Target:**

Minimum expected price move after an institutional engagement is established

With the help of the SPU, we define how far a price move shall reach when the price direction is confirmed. By the statistical volatility of the underlying asset, the SPU and SPU-ranges change over time.

Referencing the SPY: In 2020, we had intraday price ranges to trade for between 200 and 420 ticks: a 210% variability, and this is why we adjust this measure day-by-day. Currently, the applicable intraday price range for SPY is 250-ticks.

We like to describe the financial markets in a concept, where the crowd follows the leaders:

When leading institutional investors identify assets to accumulate or dispose of, those actions get detected and followed by a multitude of market participants.

You can be part of this, and your advantage is that you can open and close entire positions faster than institutions can. Let us assume the following scenario, based on minimum expectations:

- Capital: \$50,000 (100% engagement)
- Risk, 1.1% per trade (\$550)
- Reward, 1% per trade (\$500)
- One trade per day, or 20 trades per month (very conservative)
- 65% winners at a risk setup of 1:1.1 (Reward/Risk)

Expected Monthly Return:  $\$500 \times 20 \times 0.65 - \$550 \times 20 \times 0.35 = \$2,650$  (5.3% return on cash). On an annual basis, you strive for a 63.6% return, when using margin: 254% annual return.

How do you know what price-range to trade for?

Either you are a subscriber to our NLT Alerts, and you find the price ranges mentioned per highlighted symbol. Here an Example of the NLT Stock Alert for June 12, 2020.

Selected Symbol	Sentiment	Trade Setup	NLT Pattern	Option Trading Conditions	NASDAQ Stock	Sector	Days to Earnings Event	Last	Daily SPU	Daily SPU to Last %	Intraday Range
YUM	Bear	Acceptable	Top Weakness	Acceptable		Hotels, Restaurants &	3d	\$90.67	\$2.68	3.0%	110
BIDU	Bear	Acceptable	Top Weakness	Acceptable P	Yes	Interactive Media &	46.5	\$111.83	\$4.09	3.7%	160
LULU	Bear	Favorable	Top Retracement	Acceptable	Yes	Textiles, Apparel &	0.5	\$308.12	\$11.68	3.8%	450

You see three symbols listed that provide day trading potentials, regardless if compliant or against the daily direction, we trade for the following price ranges (ROC = Return on Cash):

- YUM, 110 ticks, or \$1.10 (1.2% ROC)
- IBM, 160 ticks, or \$1.60 (1.4% ROC)
- LULU, 450 ticks, or \$4.50 (1.5% ROC)

When you are using our software already, you can purchase the NLT Range Bar Study as an addition. The desired range to trade for is then displayed on the dashboard in addition to other measures. Here an example for IBM on June 17, 2020.

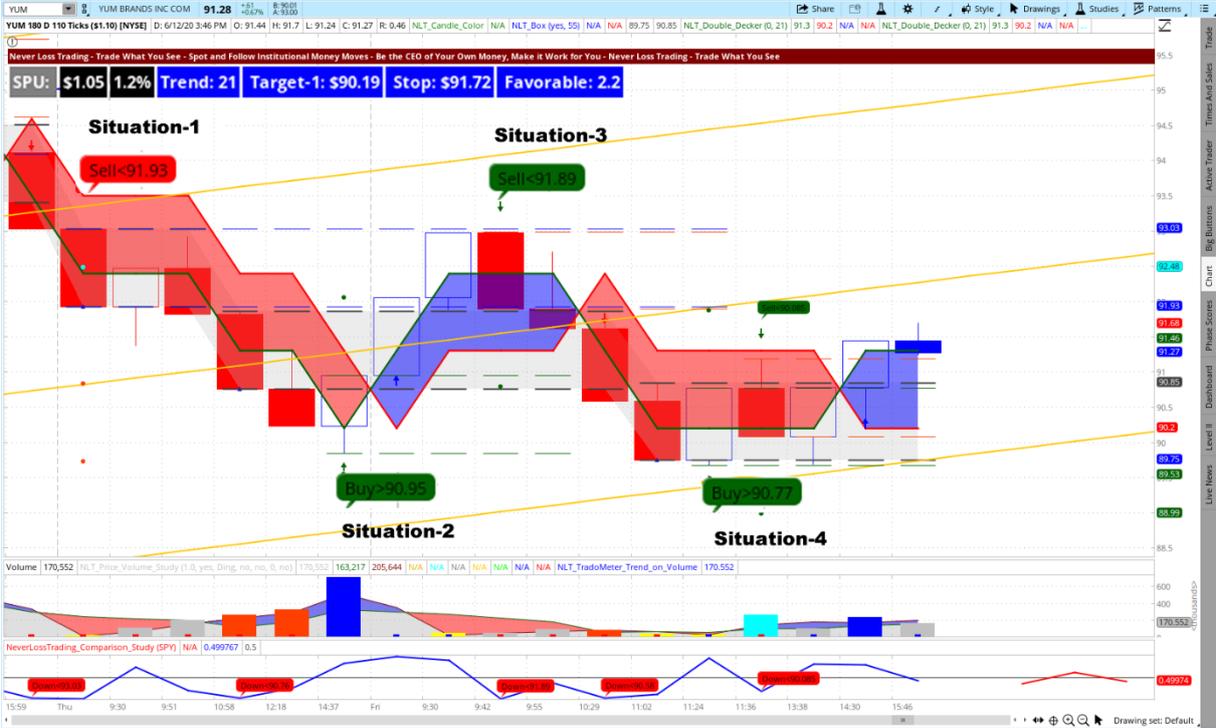
**SPU: \$4.23 3.5% No Trend: 16 Target-1: \$119.17 Stop: \$126.33 Favorable: 1.4 Up #: 2 RangeBar Ticks: 170**

- SPU defined the expected daily price move: \$4.23, or 3.5% ROC. The green color signifies an expanding SPU measure.
- No trend is in the current stock price development
- Target and Stop for a potential trade are spelled out
- The observed setup is relating reward to risk at 1.4 (only relates to time charts): For every dollar you risk, you assume a \$1.4 of return
- The stock is at the second candle of a potential long setup
- The current intraday range to trade for is 170 ticks, or \$1.70

By the NLT Alert, YUM was identified as a stock with price pressure on the daily NLT chart. The desired range to trade was 110 Ticks or a price change of \$ 1.10 (1.2% return on cash per trade).

Checking the chart for June 11<sup>th</sup> and 12<sup>th</sup>, 2020, we see the following:

**YUM on a 110 NLT Top-Line and HF Range Chart, June 11/12, 2020**



To use buy-stop or sell-stop orders, you set the entry 2% of one SPU, here three cents above or below the price threshold. The stop goes 2% of one SPU, above/below the candle with the price threshold: explaining why we state that the trade has a 1.1-times risk, compared to a 1-tick-range return. Here are the results of the identified situations:

Situation	Signal	Pattern Trader	Result
Situation-1	Sell > \$91.93	Signal confirmed, exit at \$90.82	win
Situation-2	Buy > \$90.95	Signal confirmed, exit at \$92.06	win
Situation-3	Sell > \$91.89	Signal confirmed, exit at \$90.78	win
Situation-4	Buy > \$90.77	Signal confirmed, exit at the end of the day \$91.40	win

We always provide a write-up for the concept and teach it to new and existing NeverLossTrading users.

Aside from YUM, the NLT Alert highlighted IBM and LULU.

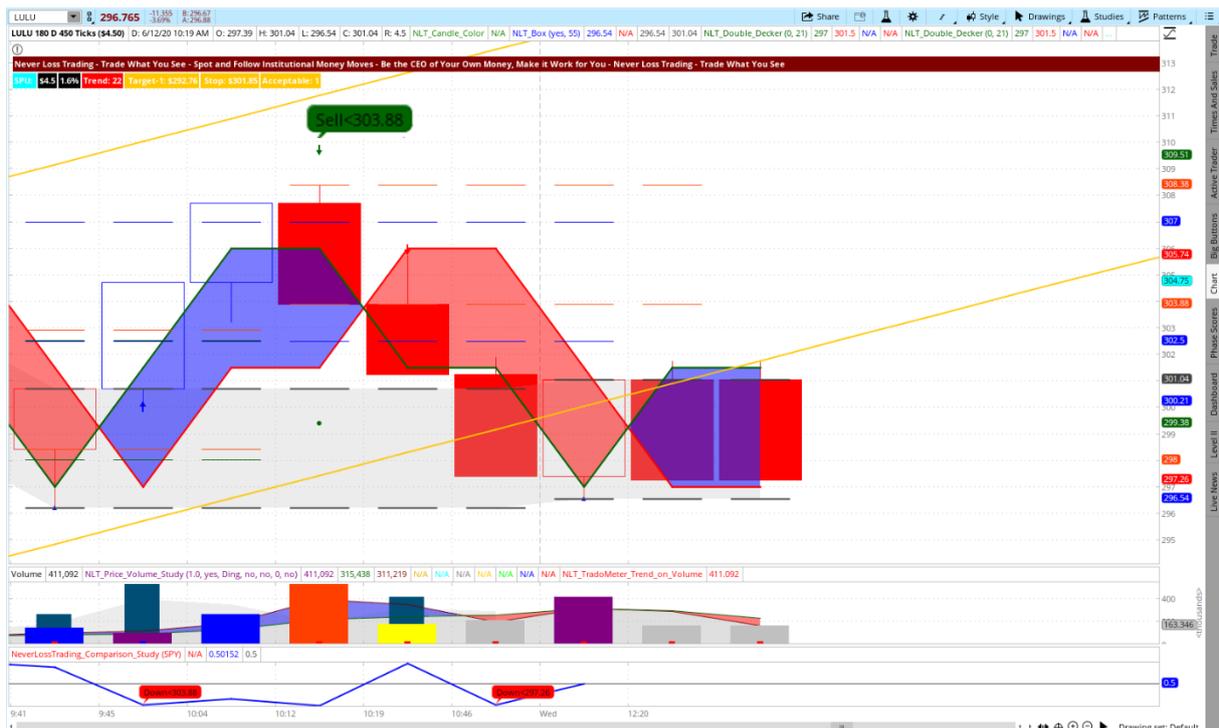
Let us check how they performed on their tick range:

# IBM on a 160 NLT Top-Line and HF Range Chart, June 11/12, 2020



Situation	Signal	Pattern Trader	Result
Situation-1	Sell > \$115.94	Signal confirmed and a second signal: Sell > \$114.34 confirms a 2-SPU move, with exit at \$112.77	win
Situation-2	Buy > \$114.20	Signal confirmed, exit at \$115.85	win

# LULU on a 450 NLT Top-Line and HF Range Chart, June 12, 2020



On LULU we took an intraday signal:

- At 10:04 a.m. EDT, trade entry by confirming the sell-stop order, sell < \$303.88 (Entry at \$303.79 for an expected ROC of 1.4%)
- Stop at \$308.40, with a risk of \$4.61
- Exit at \$299.49, for a gain of \$4.30
- Risk/Reward: 1.07:1 (we casually round to 1.1:1)

We hope you find value in our research finding that intraday trading stocks with price pressure for pre-defined price ranges, offers a new perspective and method of day trading.

By following a trading principle that 95% of the market participants do not apply, you reduce the risk of falling into market maker traps while trading for meaningful price moves and produce high probability income.

Now, the question is:

Can you put intraday price-range-trading in motion on your own, or do you want to apply a market-proven concept?

Aside from day trading, we offer a wide variety of concepts, suited to all trading styles, wants, and needs.

We work one-on-one, and tailor our concepts to your situation, teaching at your preferred days and times: all indicators and chart setups will be programmed for you.

If this is for you, contact us for a personal consulting hour:

Call: **+1 866 455 4520** or [contact@NeverLossTrading.com](mailto:contact@NeverLossTrading.com)

We are looking forward to hearing back from you.

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