Effective Strategies to Become a Successful Day Trader by Cody

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Day trading is one of the riskiest nevertheless rewarding strategies of share trading. Day trading refers to the act of buying and selling the shares on the same day. The main objective of day trading is to make use of the market fluctuations to oneâ€™s advantage and mint profits. The highly volatile stocks and sometimes the index itself are the main choice for day traders. However, to be a successful day trader, one needs to have certain strategies in place. Given below are some effective strategies to make profits in day trading.

Entry point

Liquidity and volatility are the two most important things that you need to look out for. Good liquidity in the stock lets you enter and exit the trade at relatively safer positions. Volatility is simply the price range movement of the stock on the intraday chart. The more the volatility is, the greater is the probability of making profits.

Before starting day trading, it is always good to study the movements of selective stocks and choose around five to six stocks in your portfolio. As mentioned earlier, the stock might exhibit a wide price range movement but how do you determine the ideal entry point?

It can be determined by a couple of important indicators:

Candlestick Patterns

Technical Indicators

The candlestick patterns are nothing but the reflection of the price action of the stock. There are some reliable candlestick patterns such as the shooting star, evening star, and doji. Some candle act as reversal patters while some show us how strong the momentum of the stock trend is. Some of the effective technical indicators include Relative Strength Index (RSI), Bollinger Band, Moving Average, and Stochastic (fast & slow). And volume is yet another important aspect that you need to be wary of. If there is a sudden outburst in the stock price with increase in volume, then it is more likely that a major news flow could have triggered the cause for such a movement. However, volume analysis is a separate chapter and is vast. You may explore the stock market websites using any of the high-speed Internet connections such as the FiOS Internet and do your own study on the topic. In addition to the ones mentioned above, chart patterns also play an important role in the technical analysis of stocks.

All right! That was in brief about the important tools of technical analysis. Hope you do your own research on the same. So, once you are confident and ready-to-go, all you need to do is login to your trading account and wait for the right entry signal. Once the buy signal is spotted, purchase the share and place the sell order immediately. Determining the selling point also needs detailed analysis on the live intraday chart. However, if the stock doesnâ€™t move in your favor, the safe way to exit them is by maintaining a strict stop loss. The purpose of the stop loss is simply to minimize the loss.

Trading styles

Scalping- It is one popular strategy in which the trader exits immediately when the position gets profitable. By doing so, one can book quick profits and avoid the fuss of thinking where and when to

exit the position.

Fading- This is one effective short selling strategy. It involves going short (first selling and then buying) on shares that have spiked suddenly on the intraday chart. Ideally, fading is done when a stock is in the overbought region. That is when traders start booking profits and exit their positions immediately.

Pivot point- This strategy has got more to do with the intraday volatility of the stock. As per this method, the stock is bought when it has marginally recovered from the intraday low. Likewise the stock is sold (short selling) when the stock starts declining after making intraday highs. For both these positions, the target can be kept until the trend starts changing which you can know by observing the candlestick reversal patterns.

Nevertheless, day trading is highly risky and one needs to have the right knowledge and adequate back-up resources before indulging in the same.

Cody is a freelance writer and an enthusiastic trader. He writes on a wide range of topics including entertainment, technology, sports and environment. However, he specializes on topics related to share trading. He trades live

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