

THE UNCONVENTIONAL DAYTRADER

BY

J.J. GLENELLIS

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Chapter One

Why 96% of Day Traders Fail in the First 90 Days and How to Avoid Joining Them

German philosopher Arthur Schopenhauer once observed, “What the herd hates most is the one who thinks differently; it is not so much the opinion itself, but the audacity of wanting to think for themselves, something that they do not know how to do.”

In the world of day trading, this quote resonates deeply. New traders often succumb to the temptation of following the crowd—copying strategies, mimicking others' trading styles, and clinging to popular theories that circulate in trading communities.

Yet, the harsh reality is that 96% of day traders lose most or all of their trading accounts within the first 90 days. Why does this happen at such an alarming rate? And more importantly, how can aspiring traders avoid becoming just another statistic?

The Hard Truth: Why Most Day Traders Fail

Lack of Proper Education and Unrealistic Expectations

Many new traders enter the market with grand illusions of fast profits. After all, prices can only go up or down, right? How hard can it be? (SPOILER ALERT: Pretty damned hard, apparently, if the 96% failure rate counts for anything).

Social media platforms are flooded with influencers flaunting their so-called success stories, implying that anyone can double or triple their money within days. This creates a dangerous mindset, because as you will see, just because someone else can do it does not mean you can.

Impatience drives traders to skip the learning phase, diving headfirst into live trading without understanding even the basics of risk management. Just as an example, what did you do when you opened this book? Did you start reading at Page One or did you skip ahead to Chapter 7 to read about the Trading Method?

If you went right for the Trading Method, you may have a patience problem you might want to work on.

New traders underestimate the complexity of the markets, assuming that a few YouTube videos or an online course is all it takes to become a professional.

In reality, successful trading is a skill that requires *years* of study and practice. Markets are chaotic and driven by countless factors, from macroeconomic news to human psychology. A trader who isn't adequately prepared is like a soldier walking into battle without armor.

Emotional Instability: Fear and Greed Rule the Day

The two dominant emotions in trading are Fear and Greed, and they wreak havoc on new traders. Greed convinces them to chase trades, over leverage positions, and refuse to exit losing trades in the hope of a turnaround. Meanwhile, fear causes paralysis, hesitation, or panic-selling at the worst possible moments.

Markets are relentless, and without emotional discipline, a trader's account can vanish quickly. Many beginners aren't mentally prepared for the emotional rollercoaster of constant wins and losses, leading to impulsive decisions that drain their accounts.

And far too many new traders respond to losing trades by impulsively closing their losing trade and taking a new trade in the other direction, only to see that trade stall and price action reverse back to the direction of the original trade. So that second trade is closed and a third trade that mimics the first trade is opened, only for price to reverse yet again.

Curse words are muttered (Author's note: or screamed), mice are flung across the room, fists are driven into keyboards (bad) or desktops where the keyboard sits (not quite as bad, but still bad) and traders begin to realize this is not as easy as it looks sometimes.

And to mention yet again the statistic that hangs over trading like a cold black cloud, 96% of all traders lose their account in the first 90 days of trading, and half of those will walk away and never come back to try again.

And the saddest part of that is so many losing traders could transform into consistently winning traders if they were willing to break from the herd and try something a little different.

But for many traders that is asking too much from them.

The Herd Mentality: Why Thinking Differently is Hard

Schopenhauer's insight that the herd despises individual thinkers perfectly explains one of the biggest traps in trading: conformity. Many traders follow the same strategies and signals that are widely shared in forums, Discord groups, or social media feeds. Indicators like moving averages or basic patterns such as head-and-shoulders formations are popular because they seem simple.

Yet if most people use them, why do so many fail?

The truth is, markets are designed to punish predictability. Banks, institutional traders, and algorithms thrive by exploiting the behaviors of retail traders. If

everyone follows the same signals, those signals become ineffective, leading to widespread losses.

Consider the Forex market.

All Forex brokers are what is known as closed shops, or a closed universe. If you trade futures, or options, or even individual stocks, there are markets you must enter to conduct your desired transaction (NYSE, CME, etc.). Whatever you are buying or selling, you are buying or selling in a market where the entire trading world is able to take the other side of your transaction.

But in Forex, you are trading exclusively against the other clients of your broker. Maybe there are a hundred of them. Maybe there are a thousand of them. All you know for certain is that whoever ends up on the other side of your trade, they are there because they too trade with your broker.

In the futures/options/stock markets, you really don't have to rely much upon "market makers" in those markets because the volume for each segment of those markets is astonishingly large. If you want to sell your NVDA stock, there is some trader out there who wants to and will buy it. No worries.

But with Forex, each broker contracts with individuals or groups called Market Makers (MM), and their job is to buy or sell any excess trades left open because there were not enough buyers or sellers within the trader group at your broker. So the MM steps in and buys or sells to complete your transaction and activate your trade.

And here is where this gets a little tricky.

The Market Maker knows when the trade is unbalanced, with more buyers than sellers at a particular point. They know this because they are suddenly net buyers or net sellers and in large amounts.

If all they did was sweat it out and wait for the market to rebalance and be happy with whatever gains or losses they banked, that would be fine.

But Market Makers know more about your trade than just entry prices. They also know where the Stop Losses are bunched together (and they could know this from having a decent understanding of human psychology alone, but really all they have to do is look at their computer screen: as part of the broker's "team" they have access to all the necessary data about the trade, including where all the stop losses are hanging out).

And all they need to do is instruct a few "confederate" accounts to start buying or selling in amounts large enough to drive price into the Stop Loss zone. All the retail traders get crushed on the trade and the MM banks the profits.

This used to happen a lot back in the Wild West days of trading (early to mid 2000's) but not so much any more, as traders are getting more sophisticated.

But there was an incident a few years ago involving the broker Trader's Way where a liquidity provider (aka MM) spiked the GBPJPY around the time of the London Open and wiped out a significant number of trader accounts as a result.

But to their credit, a few hours later Trader's Way sent out an email explaining that the MM created a rogue price spike, that the MM had been removed from their brokerage as a result, and that Traders Way was now in the process of returning all the money to the accounts of everyone who was injured by this action.

Traders Way is a shining example of a good broker. Sadly, they no longer accept US based clients.

But if you are following the herd and using the same tired indicators and chart setups as everyone else, you are a sitting duck for every major trader in your market who has the cash and the credit to move your market around to whatever price suits them. And typically that means you end up losing your trade.

However, stepping outside the norm feels dangerous. Traders fear that thinking differently or abandoning popular strategies will lead to isolation and more losses. This fear of being wrong, combined with a desire for acceptance, pushes them to follow the crowd—even though the vast majority of that crowd loses.

Breaking Away from the Pack: What New Traders Must Do to Succeed

Think Independently and Avoid "Hot Tips"

To succeed in trading, you must develop your own unique approach. This requires studying markets deeply, understanding price action, and analyzing the psychology behind the moves. Simply copying someone else's strategy will not give you an edge—especially when those strategies are already overused.

And if you happen to belong to any Facebook groups or Discord or Telegraph channels where trading is discussed, ignore those ballonheads who "guarantee" a particular trading vehicle is about to go up or down in price.

These groups are flooded with "experts" who do little more than regurgitate tired old trading maxims they copied and pasted from Baby Pips or Forex Factory, and then bask in the adulation from the other morons in the group who praise them for their cutting edge insights.

In fact, look inward and see exactly what benefit you gain from membership in these groups, and leave them unless they are making you money. There are some good groups out there you can belong to, but for every decent one there are a hundred

created and populated by “the herd” and doing nothing more than spewing the same old crap and convincing their readers to blow up their accounts.

You don’t need any help blowing up your account. You can likely do that all on your own, no assistance required.

Look for Inefficiencies in the Market That Others Miss.

This is one of those steps that sounds harder than it actually is.

You might study lesser-known indicators, trade at specific times of day, or specialize in certain asset classes.

Just as one example, I trade with a group of friends several mornings a week, right at the time of the Market Open for the US based index charts. For the last 3-4 years, price action during the first 30-45 minutes of the Open is best described as a fistfight in a phone booth. Buyers and Sellers stand toe to toe and beat the hell out of one another, and price action remains choppy and inside a range that oftentimes is just not worth trading (the risk far outweighs any reward).

But if you come back to those charts after lunch, particularly the CFD chart based on the Dow Jones Industrial Average, you’ll find trading is much slower and very methodical, in that price tends to move up and down in 20-35 point streaks multiple times between 1 and 4 p.m.

But if you listen to the “experts” they will nearly unanimously tell you that the best time to trade the Dow is the first 30-60 minutes after the open.

Are they saying that because it’s truly the best time or are they saying that because they like slaughtering retail traders during the craziness surrounding the Open?

I’m sure it’s the former, but I have no doubt the latter is the end result.

Challenge Popular Narratives.

Just because everyone believes a certain pattern works does not make it true. Test everything for yourself. And preferably on a demo account until you’ve made findings you can rely upon and trade profitably. No since blowing real money on a test when you really don’t know one way or the other what the results will be.

As Schopenhauer suggested, the herd is not only wrong most of the time—they resent those who think differently. Success demands the courage to reject what the majority does and the patience to develop something new.

Master Emotional Control and Build Mental Toughness

The emotional aspect of trading is often more challenging than technical analysis. Developing mental discipline separates successful traders from those who fail.

--Accept losses as part of the game.

Not every trade will be a winner, and losing streaks are inevitable. The key is to manage risk so that losses don't destroy your account.

--Practice mindfulness or journaling.

I have always been a big fan of trade journals, and it is the one habit that can turn a losing trader into a consistent winner faster than anything else out there.

The main benefit is it forces you to engage in self-reflection and evaluate everything you did before, during and after the trade. By writing all of this down, you can review your trades and start spotting things you are doing that are detrimental to your trades. And once you identify what those things are, you can begin to work on eliminating them and making yourself a better trader.

So don't just track the mechanical aspects of your trades. Track your emotions as well to identify patterns of fear, greed, or frustration. This awareness helps you improve your decision-making.

--Focus on process, not profits.

New traders all seem to have this one same fault when they begin trading: they decide on a system or method, but as soon as it starts losing, they abandon it completely and go off in search of a new system or method.

This constantly switching your trading method is the super expressway to trading failure.

These traders fail because they chase immediate results.

Instead, successful traders focus on executing their strategy consistently, knowing that profits will follow over time.

Use Risk Management as Your Foundation

It doesn't happen much any more, but 20 years ago there were multiple vendors in the trading marketplace advertising that their system or method was the "Holy Grail" everyone was searching for.

In those cases, "Holy Grail" was code for a quick and easy way to lose all of your money in a short period of time.

15 years ago or so I got interviewed by a couple of guys who were putting together a sort of podcast (long before podcasts were a thing) and one of the questions they asked me was about the rampant use of the “Holy Grail” tag on so many products.

I told them that in my opinion, there was in fact a Holy Grail for traders, and it was called Risk Management (I think I referred to it as Money Management, which is pretty much the same thing).

If you practice common sense risk management and make sure your trade sizes and stop losses are sized appropriately for your account size, you should never go broke (unless you are the worst trader in the history of the planet).

When you are winning you should be increasing the size of your trade and making the necessary adjustments to your Stop Loss. This is how you grow your account.

When you are losing you should be reducing the size of your trades and adjusting your stop loss accordingly until you start winning again. This is how you protect your account.

If you just arbitrarily decide on a trade size and stop loss and stick with it through thick and thin, there is a better than average chance you’ll be reloading your account before too long.

And if you decide to take on a Prop Firm Challenge, risk management is absolutely, positively, 100% crucial to your surviving and passing the challenge.

The rules of each challenge will lay out the percentages you can draw down your account on a daily basis and for the overall challenge, and violating those rules by even a single penny will result in you failing the challenge and starting over.

So risk management is the cornerstone of every successful trader’s plan...the Holy Grail, if you will. No strategy will work if you risk too much on any single trade. Professional traders often risk just 1-2% of their account per trade. This keeps them in the game even after multiple losses.

So set stop-loss orders to limit potential losses. New traders often avoid stop losses, thinking they’ll react in real-time, but emotions can interfere.

And position sizing matters. Many traders blow their accounts by placing large bets in hopes of quick profits. Instead, determine your position size based on your risk tolerance and stick to it.

Have a Trading Plan and Stick to It

One of the biggest mistakes new traders make is not having a defined plan. They enter trades impulsively, based on gut feelings or random tips. They don’t have a

plan in place to tell them what to do when they win or when they lose (having a plan for winning trades is equally as important as a plan for dealing with losing trades, and I'll go over both in greater detail in another chapter).

Successful traders, however, operate like disciplined professionals with a plan that outlines:

- Entry and exit points
- Position size
- Risk-to-reward ratio
- Criteria for abandoning a trade

Trading without a plan is gambling. A plan helps remove emotional decisions and keeps you focused even when the market is volatile. So make a plan and stick to it.

The Courage to Be Different

This is where the rubber meets the road.

The path to becoming a successful trader is not easy, and it's certainly not crowded. It requires embracing discomfort, thinking independently, and mastering emotions—qualities that the majority of traders lack. Most traders want shortcuts. They want certainty.

And most importantly, they want to belong.

But success demands that you take the road less traveled. As Schopenhauer reminds us, the herd hates those who think differently—not because their ideas are necessarily wrong, but because independent thinking feels threatening.

In trading, as in life, those who dare to think for themselves—and back that thinking with discipline and preparation—stand the best chance of success. If you want to avoid becoming part of the 96%, start by rejecting the herd's mentality and developing your own edge.

The markets are unforgiving, but they reward those with courage, discipline, and the audacity to chart their own course.

By learning from the mistakes of others, building a strong foundation of knowledge, and developing emotional discipline, new traders can avoid the pitfalls that claim so many accounts in the first 90 days. Trading is a long game. It's not about winning every trade—it's about staying in the game long enough to learn, grow, and ultimately succeed.

Chapter Two

The Essential Traits of Winning Traders: Patience, Discipline, Critical and Analytical Thinking

In the world of trading, the difference between winners and losers is not luck—it's character, mindset, and preparation. Every successful trader shares certain traits that allow them to survive and thrive in volatile markets. Among the most crucial of these traits are patience and discipline—the foundations of a trader's longevity. But beyond mental endurance, winning traders excel in critical and analytical thinking. They can observe and absorb vast amounts of market information, isolate what truly matters, and act decisively.

In this chapter I'll break down these essential qualities, discuss how they are applied in real trading situations, and explore what aspiring traders can do to cultivate these traits.

Patience: The Art of Waiting for the Right Trade

"Opportunities are like buses," said Warren Buffett. "There's always another one coming." But in trading, many beginners act as if every trade is their last chance to make a profit. This impatience is one of the biggest reasons traders fail.

Winning traders understand that trading is a waiting game. They know that high-quality setups are rare, and not every market movement needs to be chased. Patience allows them to sit on the sidelines when the market is chaotic and wait for their carefully defined criteria to be met.

Why Patience Is Crucial

--Avoiding Overtrading: Impatient traders often feel the need to take action constantly, which leads to overtrading—one of the fastest ways to drain a trading account. It also leads to accepting trade entries that are far from the best, based on whatever system or method the trader is using.

--Hanging On To Wrong Ideas: There is that belief that trading is a 50/50 proposition, since price can only go up or down. This leads newer traders to jumping into a trade when few, if any, of their system or method's rules have been met.

--Letting Trades Play Out: Winning traders don't jump in and out of trades out of fear. They allow their strategies to unfold, giving each trade time to develop toward its intended target.

--Choosing Quality over Quantity: Winners know that a handful of well-timed trades can be more profitable than dozens of rushed ones.

How to Cultivate Patience:

- Set alerts for your ideal trade setups so you aren't tempted to trade everything.
- Practice with demo accounts to get comfortable waiting for the right conditions.
- Use a trading journal to track impulsive trades and reflect on missed opportunities.

Discipline: Sticking to Your Plan No Matter What

Discipline is the ability to consistently follow a well-defined plan, even when emotions run high. A winning trader operates like a professional athlete who sticks to a routine, no matter how boring or difficult it may seem. Without discipline, even the best strategies will fail.

But Discipline goes far beyond the four corners of your trading platform.

Discipline also involves physical health, meaning you are bright-eyed, bushy-tailed and otherwise raring to go when the markets open (or you open your platform). If you are sick or hungover, your mind will not be at 100% because your body is not at 100%.

I've learned from hard experience over the years that if I am simply feeling poorly when I roll out of bed and flip on my platform, my best course of action is to flip the platform back off and go back to bed.

I know of very few people who have the ability to shut out the feelings of pain and sickness and focus 100% on trading. Instead, those feelings begin to interfere with our ability to make sound decisions based on objective factors, as we are distracted by whatever illness it is we are bringing with us to the table.

So before you place that first trade, make sure you are in good shape physically and don't be afraid to shut it down and come back tomorrow.

As Warren Buffet said, trades are like buses. Another one will be along shortly.

How Discipline Separates Winners from Losers

--Executing the Plan: Successful traders set specific entry, exit, and risk parameters—and they follow them. Losing traders, on the other hand, deviate from their plans, chasing profits or moving stop-loss orders out of desperation.

--Managing Risk: Discipline ensures that winning traders never risk more than they can afford to lose. They respect stop-losses and size their positions appropriately, even when they feel tempted to take larger risks.

--Embracing the Grind: Discipline means showing up every day, reviewing trades, analyzing mistakes, and sticking to the process, even during losing streaks. Unless of course you're sick. Then you get a free pass for the day.

How to Build Discipline:

There is a theory that says you need to learn patience and discipline when you are a small child. While this is mostly true, there are things you can do as an adult that will help you hone whatever level of discipline you happen to already have.

Things like:

- Write down your trading plan and follow it religiously.
- Create accountability by reviewing your trades at the end of each session.
- Set small, achievable goals to reinforce the habit of discipline over time.

Critical Thinking: Evaluating Market Conditions Objectively

Much like discipline and patience, critical thinking (and analytical thinking) are skills most of us should have picked up during grade school and middle school.

This was the job of our teachers, to put us into scenarios where we needed to think our way out.

Have you ever heard the phrase “That guy couldn’t think his way out of a wet paper sack.”?

It was invented by a teacher who was referring to one of his less than brilliant students who, apparently, lacked critical and/or analytical thinking skills.

However, if you find yourself on the short end of these skills, all is not lost. I’ll go over some simple steps you can start practicing that can bring you up to speed in short order if you stick with the plan.

The markets are complex, and winning traders succeed by thinking critically about each situation they encounter. Critical thinking involves the ability to look at the market without bias and evaluate it from multiple angles. Traders who can question assumptions, recognize flaws in their strategies, and adapt to new information have a significant edge.

How Critical Thinking Applies to Trading

--Questioning Herd Mentality: Winning traders don’t follow the crowd blindly. They question popular opinions and analyze whether the prevailing sentiment aligns with reality. It starts with considering the source of that information. If you are watching a financial news program on a respected television network, you can have at least some level of satisfaction that what you are hearing might have some basis in fact.

On the other hand, if your source is just some rando from a Facebook group trolling for positive feedback, you might want to treat the information the way journalists are taught to treat their mother when she says she loves them.

Get a second source.

--Recognizing Cognitive Biases: Successful traders are aware of mental pitfalls like confirmation bias (favoring information that supports existing beliefs). They actively seek opposing viewpoints to gain a more balanced perspective.

This can be a huge problem, not only with trading but in society at large, at least mid-way through the 2020s. News sources have turned into echo chambers telling the faithful viewers exactly what they want to hear rather than simply presenting the unvarnished news and letting the viewers decide.

This has led a lot of formerly very sharp people to abandon their critical and analytical thinking skills in favor of seeking out only those sources that present the news the way they want to hear it.

That is no way to gather the data you need to make good trading decisions.

So be ever on the alert for the creeping confirmation bias and keep it at bay while you seek out the truths you need to become a better (and more profitable) trader.

Learning from Mistakes:

This one should almost go without saying. And is yet another strong vote in favor of keeping a trading journal.

Critical thinkers are reflective. They analyze past trades to identify what went right, what went wrong, and how they can improve.

If you will do this one thing on a regular basis, you almost cannot help but turn into a better trader.

How to Develop Critical Thinking Skills:

Regularly review your trades and identify patterns in your decision-making.

This is where your journal is so critical. And it makes the process so much easier when you don't have to dig through multiple sources of data to find all the details on your past trades. A well kept journal will have all that information right at your fingertips when you need it.

Take time to analyze news and market reports without acting immediately—practice forming independent opinions. And don't just read the news and look at the numbers when they come out. Look at your charts and see what kind of reaction, if any, the markets had to any news releases (both hard numbers and any sort of vague data, like Fed Reports). Most calendars will mark news as important (red folder on Forex Factory) moderate importance (beige folder) and lesser importance (yellow folder).

But how the market reacts to certain news many times has no real relation to the color of the folders. Plenty of times I've seen red folder news drop and the market completely ignores it, while an occasional yellow folder report generates price action comparable to an NFP report or a Fed Interest rate decision.

Watching these reports as they come out and seeing how the market reacts helps you build your own mental database you can use to evaluate future news events on the fly, without needing to refer back to your notes.

Engage with other traders, but challenge their ideas instead of taking them at face value. I know I have been a little harsh towards some of the more vocal members of groups who seem to be in it for the popularity and not because they have anything original or interesting to say.

But you can sometimes find other group members who express an opinion either in a post or a comment that is worth following up. Don't hesitate to reach out to them, publicly at first, and engage with them over their post. I have about a half dozen people I have been chatting with about trading for years and our relationship started because one of us reached out to the other in a public forum.

And I have yet to meet a real trader who doesn't like to talk trading, especially with someone who can hold up their end of the conversation. So don't be shy about posting a comment and see where it takes you.

Analytical Thinking: Processing Information Effectively

Markets move based on a wide range of factors—economic data, geopolitical events, technical indicators, and more. Winning traders are skilled at sorting through this sea of information, identifying what matters, and discarding the noise. Analytical thinking allows traders to prioritize relevant data points, giving them a clear and objective view of the market.

How Analytical Thinking Helps Traders Win

--Spotting Market Patterns: Analytical traders can break down charts and spot trends, support and resistance levels, or indicators that signal potential price movements. And in a later chapter I will show you how easy it is to spot these setups on a certain type of chart which is fairly well known but very little used.

--Filtering Out Noise: Not all news or indicators are equally important. Winning traders know which data points deserve attention and which ones to ignore. And that simply comes from practice. So if you came into trading thinking you were going to be a world beater on Day One, just keep in mind that most of us went through a decade or more of mistakes and false starts to get where we are today. This book is designed to help speed the process up for you, but some things

simply require your butt in a seat in front of your platform and time to absorb all the various lessons there are to be learned.

--Adapting to Market Conditions: Analytical thinkers understand that markets are dynamic. They constantly re-evaluate their strategies to ensure they remain relevant in changing environments.

And it's not just a matter of spotting bull markets versus bears.

On any given day, regardless of the various influences on the markets, you can have a full day of abysmally crappy trading.

And on the flip side, you can also have an amazing day of trading where you get two or three dozen solid entries where price moves 40-50 pips or points before reversing and going the same or more pips in the opposite direction.

Learning to spot the lousy days early and either tightening up your trading or just not trading at all will save you an absolute boatload of money over time.

And seeing that the market is in some sort of manic phase and taking as many of these trades as you can will result in you having a very good month that day.

But it all comes down to adapting to market conditions as soon as it is practical that will make you a better trader.

How to Build Analytical Thinking Skills:

- Study market data and focus on correlations that affect your trades directly (e.g., how interest rate changes affect currency pairs).
- Use "if-then" thinking to prepare for different market scenarios (e.g., "If the Fed raises rates, I expect the USD to strengthen.").
- Practice with backtesting tools to understand how different indicators or strategies perform under historical conditions.

How Patience, Discipline, Critical and Analytical Thinking Work Together

The four traits discussed—patience, discipline, critical thinking, and analytical thinking—are not isolated qualities. They are deeply interconnected, creating a feedback loop that supports a trader's success.

Patience and Discipline: Patience helps traders wait for ideal setups, while discipline ensures they stick to their plan when the moment comes.

Critical and Analytical Thinking: Critical thinking prevents traders from following the crowd, while analytical thinking helps them make sense of market data and focus on what's important.

For example, a disciplined trader may decide to wait for a price to hit a certain support level before entering a trade. When the market doesn't behave as expected, their critical thinking kicks in—they analyze whether the setup is still valid or if they need to adjust their strategy. Analytical thinking helps them decide whether the market has changed fundamentally or if it's just short-term noise.

What Traders Lacking These Skills Can Do to Improve

If you feel you struggle with any of these traits, the good news is that they can be developed over time. Here are a few practical steps to help you get started:

--Start Small: Focus on building one trait at a time. For instance, you might begin by working on patience—waiting for setups to fully develop before taking action.

--Use Journals and Checklists: Document your trades, emotions, and thought processes. Over time, you'll begin to see patterns and areas where you can improve.

--Simulate Real Trading Conditions: Use a demo account to practice without financial pressure. The goal is to build habits that carry over into real trading.

--Seek Feedback: Join trading communities or mentorship programs. Engaging with other traders can provide valuable insights, but remember to question everything critically.

Conclusion: Traits That Separate Winners from the Rest

Winning traders are not born—they are made through deliberate practice, self-reflection, and a relentless commitment to improvement. Patience and discipline allow them to stick to their plans and weather difficult markets. Critical and analytical thinking empower them to process vast amounts of information and make objective decisions.

If you want to join the ranks of successful traders, start by developing these traits one step at a time. In trading, as in life, the journey is often long and full of setbacks—but those who cultivate the right mindset and skills will eventually reap the rewards. The market is a battlefield, and the winners are those who stay disciplined, think critically, and have the patience to wait for their moment to strike.

Chapter Three

The Pitfalls of Prop Firm Trading Challenges: Why They Might Not Be the Best Route to Wealth

In recent years, proprietary (prop) firm trading challenges have exploded in popularity, promising traders access to substantial capital in exchange for proving their skills. At first glance, these challenges may seem like an attractive opportunity for traders with limited funds—pass the evaluation, meet the requirements, and manage large accounts without risking personal capital.

However, the reality of prop firm challenges is far from this rosy ideal.

For new traders, attempting to build wealth through these programs often leads to frustration and failure. While they promise opportunity, many firms operate in ways that are designed to remove successful traders through arcane rules and technical violations.

Some firms are not financially stable and shut down unexpectedly, leaving traders high and dry. In this post, we'll explore the risks and hidden pitfalls of prop firm challenges, examine the key differences between Forex and Futures-based prop challenges, and discuss why this route may not be the best way for new traders to build sustainable wealth.

What Are Prop Firm Trading Challenges?

Prop firms offer traders the opportunity to manage significant amounts of capital, but only after they pass an initial challenge or evaluation phase. These challenges typically involve meeting strict performance targets within a limited timeframe while adhering to strict risk rules.

Once a trader passes, they may be given access to a “funded account” to trade on behalf of the firm, with the promise of sharing a portion of the profits.

Sounds simple, right? In practice, however, many of these firms set conditions that make it extremely difficult to succeed, and even when traders do pass, the firms retain multiple ways to disqualify them from managing the funded accounts.

And that's assuming they remain solvent long enough to provide a funded account and pay out the proceeds from any winning trades.

Last year (2023) I was chatting with Tom Z. about the proliferation of prop firms in Forex and whether this was an avenue worth exploring. I decided to do some digging into the industry and he helpfully provided me with a list of firms (around 40 of them at the time).

A few days later he provided me with a few more firm names (now we were at 46).

Just a few days after that, the industry suffered a major tremor when a firm I believe was based in Canada was sued by Canadian regulators and the curtain was ripped away that exposed how these firms operated.

The reality, at least for this one firm, was there were no “funded” accounts for traders who beat the challenge.

What the firm was doing was providing everyone involved a “demo” account (a free practice account that had no real money in it) and for the “funded” traders, any winnings they accumulated were paid out by the firm from the Challenge Fees they were accepting right up to the day they were closed down by the Canadians.

In the meantime, the firm was doing everything in their power to disqualify challenge contestants for rules violations (real or imagined) and forcing the hardier souls involved to buy into a new challenge and pay a new set of fees.

If that sounds a little scammy to you that’s probably because it is a little scammy, at least in the way funded accounts are handled by these firms.

(My editor sent me a note about this topic, asking “How are these firms any different than the companies that turn out to be Ponzi schemes? My answer to that question was “well, um, you see, um...”)

The fact is these Prop Firm Challenges are just a variation on the classic Ponzi scheme. A typical Ponzi scheme will take anybody’s money who is willing to invest and use those funds to pay off earlier investors to make themselves seem like a legitimate investment opportunity. Eventually they run out of new investors and the entire scheme collapses.

Prop firms take any trader’s money who wants to buy into a challenge and use those funds to pay off anyone who navigates their gauntlet of rules and regulations to reach a Funded Account level. The only true difference is 96% of the Challenge buyers self-eliminate themselves from ever getting a payoff because of poor trading skills or a lack of understanding of the rules in place for the challenge.

So unlike a true Ponzi scheme, where all the earlier investors get burned when it comes time to collect their payouts, these prop firms only have a few talented or lucky traders to pay off, and even those few are subject to self-elimination for any future missteps that clash with the firm’s rules.

So honestly, there really isn’t any difference other than the prop firms have found a way to extend the life of their scheme by getting their marks to fail out of a challenge and not qualify to get a payoff. But as many have found out by now, once new Challenge buyers dry up, the money’s gone and so is the firm.

And that makes it a straight up Ponzi scheme.

All of this takes place in an arena where 96% of the participants are going to lose anyway, at least according to historical trends. So the only real danger to these firms is when a few too many people manage to pass the challenge and receive the allegedly funded accounts.

And as so many of these firms have proven over time, the solution to owing traders more money than the firm is collecting in challenge fees is simple: close the firm and leave the traders hanging.

But these challenges are a brilliant way to tap into the greed (and in some cases, desperation) of traders who somehow think that even though they have never successfully traded their own money, that somehow they will become better traders using someone else's money.

I am not a fan in any way of Forex Prop Firm trading (although there are a few long established firms out there like FTMO and The 5%ers who seem to be doing business the right way and may be worth the risk involved if you still are interested in a challenge).

Futures Prop Firm trading is probably a much better risk because you are trading in a highly regulated arena and the opportunities for firms to scam their customers are much fewer.

But if trading a Challenge still sounds like a good idea to you, here are a few things you should know (in detail) before you hand anyone your hard earned money.

Hidden Pitfalls of Prop Firm Challenges

Technical Violations Designed to Remove Successful Traders

One of the most frustrating aspects of trading with prop firms is the use of complex and restrictive rules that traders must follow. These rules can include:

- Daily drawdown limits (e.g., losing no more than 5% in a single day)
- Overall loss limits (e.g., a total drawdown of 10%)
- Maximum position sizes and leverage restrictions
- Mandatory stop-loss placements on every trade
- Restrictions on trading specific instruments or times (e.g., no trading during news events)

Even when traders perform well and generate profits, firms can disqualify them for minor rule infractions. For example:

- A trader might accidentally place a trade just before a prohibited news event and be removed despite earning profits. And this can happen even if the news had no impact on price action and looking at the chart traded you would be hard pressed to

identify when the news dropped. But it is a violation of the rules and firms will fail out the trader as soon as the violation is discovered.

- A temporary dip in equity might cause them to violate a daily drawdown limit, even if the trade ultimately turns profitable. This one is the real account killer. You as the trader may be butting up against a daily drawdown limit, but take a trade which moves against you slightly before moving well into profit. From your perspective it was a winning trade. From the firm's perspective, your daily drawdown limit was breached by a few pennies, even though no actual losses occurred and your account moved well into profit soon after. That gives the firm grounds to disqualify you and force you to buy into a new challenge.

- Some firms forbid certain strategies like scalping, and traders may unknowingly violate these rules if they trade too frequently. There are firms that advertise that they allow and even encourage scalping, but then disqualify the trader because the time period they remained in trades was too short, which flies right in the face of how scalpers trade. So pay close attention to the firm rules should you choose to proceed. They may be written to guarantee you get disqualified for trading in a fashion the firm says is perfectly within the rules.

These firms often use these technical violations as a way to remove successful traders, limiting their own financial exposure. Instead of seeking long-term partnerships with talented traders, many firms focus on recycling challenge fees from new participants, turning the process into a revolving door.

And the only escape from that revolving door is to stop taking on new challenges.

Rampant Firm Failures and Lack of Financial Transparency

Another major risk is the instability of many prop firms. Prop firms are often undercapitalized, meaning they rely heavily on the challenge fees paid by hopeful traders. If the firm fails to generate sufficient revenue, it may collapse, taking traders' profits and accounts with it.

Firm failures are not uncommon in this industry, and there is little recourse for traders when these firms go under.

Even larger firms can run into trouble due to poor risk management or regulatory issues, which ultimately affect traders who rely on them for payouts and trading capital.

Traders should also be wary of firms that lack transparency regarding their business practices, payout schedules, or funding sources. Before engaging with any prop firm, it's critical to research the firm's reputation and look for reviews from other traders.

A quick word about reviews: well written positive reviews were likely written by someone from inside the firm being reviewed. It's a sad fact but within the western

world, reading and writing skills among the overall population have recently dropped from a 7th grade level to a 5th grade level. So any positive reviews that sound like they were written by a college professor are likely placed there by the firm under review. They should be ignored.

Further, any poorly written reviews that simply accuse the firm of being scammers was likely written by someone who lacks anything resembling trading skills and who probably lost their money taking bad trades. It's the lack of details that tips this one off, and these reviews can usually be safely ignored as well.

But reviews that are definitely not written by English majors, and that go into some detail over why the reviewer is not happy with the firm, can usually be taken at face value, and the more of these reviews you find, the more you need to consider avoiding that firm.

Key Differences Between Forex and Futures Prop Firms

Forex Prop Firms

- Legal Restrictions for U.S. Citizens: Due to U.S. financial regulations, citizens are largely prohibited from participating in Forex prop firm challenges. Most firms operate overseas, making it challenging for U.S.-based traders to legally engage with them or receive payouts.
- Flexible Trading Hours: Forex markets trade 24/5, making it attractive for traders who prefer flexibility.
- High Leverage: Forex prop firms tend to offer high leverage, which can magnify profits—but also losses, increasing the risk of drawdown violations.

Futures Prop Firms

- Regulated within the U.S.: Futures-based prop firms tend to be more accessible to U.S. traders since they operate under stricter regulatory frameworks.
- Market Hours Are More Limited: Futures markets are not open 24/7, which can limit trading opportunities.
- Smaller Leverage Ratios: Futures prop firms often provide lower leverage compared to Forex firms, which can reduce the risk of major losses but also limits the upside potential.

These differences make it essential for traders to understand their preferences and limitations before engaging with a particular firm. Futures firms may offer more stability and legal clarity for U.S. traders, but they also come with different constraints that require adjustment.

Tight Stop-Loss Strategies: The Key to Staying Within Risk Limits

Prop firms impose strict risk controls to protect themselves, typically setting daily and overall drawdown limits that traders must respect. As a result, traders who want

to succeed in these challenges must adopt a strategy with extremely tight stop losses to avoid violating these limits.

The Problem with Too-Tight Stop Losses

- Market Noise: Extremely tight stops can cause traders to be stopped out by normal market fluctuations, resulting in many small losses.
- Reduced Profit Potential: Tight stop-loss strategies require high win rates to remain profitable, as there is little room for trades to develop.

Winning traders in this environment must strike a delicate balance between limiting risk and allowing trades to breathe. This often involves:

- Focusing on high-probability setups with clearly defined entry and exit points.
- Trading only during times of reduced volatility to avoid getting stopped out by noise.
- Practicing scaling into positions instead of entering all at once, which can help manage risk more effectively.

There is a real balancing act you need to perform to find the sweet spot for trading these challenges. On the one hand you have all these stop loss issues, but on the other hand you have an overall profit target you need to reach, and usually within a specified period of days, in order to pass that challenge.

So you need to put all of these factors into a proper order and use this information to come up with the best trade size that allows you to make enough gains when you trade you move closer to the profit target, while at the same time keeps the trade size small enough that one or two losses don't put your account in mortal danger of violating the drawdown rules.

There is no one answer to this problem. You really have to do the math yourself based on the various factors present in your challenge.

And this is just one more reason I'm not a fan of these challenges. The pitfalls are just too many, regardless of the payout should you succeed.

But without a sound plan for using tight stops, traders will likely find themselves violating the firm's drawdown limits repeatedly.

Is a Prop Firm Challenge the Right Path for New Traders?

While prop firm challenges may seem like a fast track to trading success, they are not an ideal route for most new traders. Here's why:

- Unrealistic Expectations: New traders often underestimate the difficulty of passing the challenge, only to lose multiple challenge fees in the process.

- Stressful Conditions: Trading under tight drawdown limits and complex rules adds emotional stress, which can impair decision-making.
- No Room for Learning: Prop firm challenges leave little room for experimentation and learning. New traders need time to develop their strategies, make mistakes, and grow, which is difficult under strict evaluation conditions.

Instead of jumping into a prop firm challenge, new traders might be better served by:

1. Starting with a personal account to learn at their own pace, even if it means trading with smaller amounts of capital.
2. Using demo accounts to build skills without financial pressure.
3. Focusing on education—reading, practicing, and developing the skills needed to succeed in the long term.

Conclusion: Think Twice Before Taking a Prop Firm Challenge

Prop firm challenges promise access to capital, but they come with significant hidden risks that make them a poor choice for most new traders. Between firm instability, complex rules, and tight risk limits, even skilled traders find it challenging to succeed. For U.S.-based traders, the situation is even more complicated due to legal restrictions on Forex prop firms.

Ultimately, trading is a long-term journey, and trying to build wealth through a prop firm challenge is often a shortcut to frustration. Success in trading comes from developing patience, discipline, and skill—qualities that cannot be rushed. If you're serious about trading, focus on building a solid foundation before attempting any prop challenges. While these programs may have their place for experienced traders, they are rarely the best path for beginners.

Chapter Four

Why Airplane Pilots Make the Best Traders: The Power of the Checklist Mentality

The financial markets and aviation may seem worlds apart, but they share one vital element: both fields require precision, discipline, and preparation under pressure. Interestingly, airline pilots tend to make some of the best traders, and the reason lies in their checklist mentality. Pilots, regardless of their level of experience, rely on pre-flight checklists before every flight. This methodical approach ensures that no critical step is overlooked, reducing the risk of human error.

For traders, adopting the same checklist mentality can significantly improve their performance. Just as a pilot won't take off unless every box on the checklist is marked, traders who take the time to ensure all their trade criteria are met before placing a trade are far more likely to succeed. In this post, we'll explore the connection between aviation and trading and explain how developing a checklist mentality can enhance trading performance.

The Role of Checklists in Aviation: Precision and Safety

Flying an airplane is a complex, high-stakes activity that leaves no room for improvisation or shortcuts. Even experienced pilots with thousands of hours of flight time use a checklist before every flight. This ensures that:

- The aircraft is flight-ready (all systems are operational).
- Weather and flight paths are reviewed.
- Communication protocols with air traffic control are established.
- All potential risks are minimized.

The checklist serves two primary purposes:

1. Mitigating Risk: Pilots use it to avoid potentially catastrophic oversights.
2. Reducing Cognitive Load: By relying on written steps, pilots avoid having to recall every detail from memory, which reduces stress and mental fatigue.

Similarly, trading involves complex decision-making under pressure. Traders need to account for multiple factors—price trends, market conditions, risk levels, and emotional discipline. Without a clear process, critical details can easily be overlooked, leading to poor trade decisions.

If you are new to the game, ask an experienced trader “have you ever taken a trade then immediately regretted it because you forgot to consider some factor like news or support and resistance that ultimately came into play with your trade?”

Any experienced trader that says it's never happened is either lying or is very forgetful.

Getting into the checklist habit helps reduce these mistakes to a point where they are no longer a concern for the trader and trades are then placed with an increased level of confidence.

Why Traders Benefit from a Checklist Mentality

In trading, as in aviation, small errors can have disastrous consequences. A trade taken impulsively, without verifying key factors, can result in significant losses. The most successful traders are those who develop routines and checklists to guide their decision-making process. Here's why adopting the checklist mentality is so important:

Ensures Consistency in Execution

Just as pilots use the same checklist every time they fly, traders need a consistent method for evaluating each trade. Following a checklist ensures that every trade is entered with the same level of care and preparation, regardless of whether it's the first trade of the day or the tenth.

For example, a trader's checklist might include:

- Is the market trending or ranging?
- Have I identified support and resistance levels?
- Does this trade align with my trading strategy?
- Have I calculated the appropriate position size?
- Is my stop-loss in place?
- Are there any upcoming news events that could affect the trade?

Reduces Emotional Decisions

In both trading and flying, emotions can be dangerous. Fear, greed, or excitement can cloud a trader's judgment, leading to impulsive actions. A checklist helps traders stay grounded by providing a step-by-step guide to follow, even during stressful market conditions.

When emotions run high, having a predefined checklist ensures that logic takes precedence over instinct. If the criteria on the checklist aren't met, the trade isn't taken—no exceptions.

Improves Risk Management

Pilots mitigate risk by double-checking every element of their flight before taking off. In the same way, traders can reduce risk by ensuring that all conditions are favorable before entering a trade.

A trade checklist reminds the trader to calculate position sizes, place stop-loss orders, and set profit targets. It also serves as a reminder to avoid trades during volatile periods, such as when major economic data releases are scheduled.

Prevents Cognitive Overload

One of the biggest enemies of traders is cognitive fatigue—the mental exhaustion that comes from processing too much information. Markets are constantly changing, and it's easy for traders to become overwhelmed by data and emotions.

A checklist helps simplify the decision-making process by breaking it down into manageable steps. Instead of constantly trying to remember every detail, traders can refer to their checklist, freeing up mental energy for more strategic thinking.

Key Elements of a Trader's Checklist

To benefit from a checklist mentality, traders need to create a well-structured, easy-to-follow checklist. Here are some essential elements to include:

Market Conditions Check

- Is the market trending or ranging?
- Are there any major economic events scheduled?
- Are volatility levels within your risk tolerance?

Trade Setup Criteria

- Is the trade setup in line with your strategy (e.g., trend-following or mean-reversion)?
- Have you identified key levels (support, resistance, Fibonacci levels)?
- Are you trading in sync with the higher time frame trend?

Risk Management Check

- Have you calculated the appropriate position size based on risk per trade?
- Is a stop-loss order in place?
- Have you set a realistic profit target?
- Does this trade fit within your daily risk limit?

Mental and Emotional Check

- Am I feeling calm and focused?
- Am I physically sound, not sick or hungover or otherwise feeling poorly?
- Am I avoiding revenge trading or impulsive decisions?
- Have I reviewed my previous trades to learn from any mistakes?

This checklist should be reviewed before every trade, just as a pilot completes a pre-flight checklist.

How to Implement the Checklist Mentality in Your Trading

Create Your Personalized Checklist

The first step is to write down your trading rules and criteria. Your checklist should align with your trading strategy and risk management plan. Keep it simple and actionable.

Use It for Every Trade—No Exceptions

Consistency is key. Use your checklist before every trade, even if the setup looks perfect. This ensures that good habits become ingrained and prevents you from taking impulsive trades.

Review and Refine the Checklist Regularly

Just as pilots update their checklists when new equipment or procedures are introduced, traders should review and refine their checklists periodically. If you notice recurring mistakes, adjust the checklist to address them.

Incorporate the Checklist into a Routine

Make your checklist part of your trading routine. For example:

- Review the checklist before the market opens.
- Complete it before entering any trade.
- Reflect on the checklist's effectiveness at the end of the day and adjust if necessary.

Why Most Traders Struggle Without a Checklist

Many traders fail because they approach the markets without a structured process. They rely on gut instincts, jump into trades without preparation, and ignore critical details. This lack of discipline leads to inconsistent performance, emotional trading, and unnecessary risk—all of which contribute to failure.

By adopting the checklist mentality, traders develop the habit of trading methodically and intentionally. They stop chasing every opportunity and instead focus on high-probability setups that align with their plan.

Conclusion: The Trader as a Pilot

Trading, like flying, demands precision, discipline, and preparation. Adopting the checklist mentality allows traders to approach the markets with the same level of care that pilots bring to the cockpit. It ensures consistent execution, reduces emotional decisions, improves risk management, and prevents cognitive fatigue.

Ultimately, successful trading is about developing habits that create consistency over time. Just as pilots don't skip their pre-flight checks, traders must learn to never skip their trade checklists—no matter how experienced they become. If you want to succeed as a trader, start thinking like a pilot: Create a checklist, follow it every time, and never trade without it.

To assist you in your trading, there is an appendix at the back of this book that includes a basic checklist, along with a link where you can download a .txt file (use Notepad to open and edit) that will allow you to customize the checklist to fit your particular trading style.

My advice to you is customize the checklist, print out a copy, take it to an Office Depot or OfficeMax and pay a couple of dollars to have them laminate the checklist so you have something you can hold in your hands and scan before you trade. Lamination will make it almost indestructible so you should have it available to you now and well into the future.

Chapter Five

Why a Cutthroat Attitude Toward Stop Losses Is Critical for Scalpers

Earlier in the book I mentioned how I was interviewed by some traders who were putting together what was maybe one of the first podcasts (this was 10 years ago or more) and I mentioned during the interview that Money Management (aka Risk Management) was the true Holy Grail of trading.

If you master Money Management, it is almost impossible to go broke.

And the key to mastering Money Management is setting and using the optimally sized stop loss for each trade.

And sadly, there is not a “one size fits all” stop loss I can recommend that will work for all traders in all situations.

If there were, this chapter would be about half a page in length.

So since the method I’ll be discussing later has more in common with scalping than any other style of trading, I’ll focus just on this style of trading, with the understanding that while what I will suggest in terms of stop loss usage isn’t the only way to trade as a scalper, I think that it is the most logical to follow to take advantage of the sorts of entries we’ll be discussing in a later chapter and still protect your capital to the best of your ability.

Scalping

In scalping—the fast-paced art of making quick trades with small profit targets—there is no room for hesitation when it comes to executing stop losses. Scalpers aim to capture tiny market movements, often profiting from just a few points. The key to success in this style of trading lies not only in recognizing opportunities but also in maintaining ruthless discipline when trades go wrong.

A cutthroat attitude toward stop losses is essential for scalpers. Every second counts, and holding onto losing trades in the hope that they’ll reverse can quickly turn small, manageable losses into disastrous ones.

A good friend of mine who also happens to be an excellent trader, calls letting your stop loss run on scalping trades “buying a ticket on the Hope Boat”. You are hoping to see price come back into profit, but for almost every trader who scalps and books passage on the Hope Boat, that boat eventually sinks with all hands on board.

So in this chapter I’ll explore why rapid stop-loss execution is a non-negotiable skill for scalpers and explain the dynamics of different trade scenarios so you can stick to your plan no matter what.

Small Losses vs. Big Losses: The Key to Survival

One of the most important rules for scalpers is to keep losses small. Let's compare the effect of a 1–2 point loss versus a 10–15 point loss to illustrate the importance of quick decisions.

1–2 Point Loss

- Easy to recover: Just one or two winning trades can make up for it. When you are scalping you are generally trying to snag a quick 1, 2, 3 points or whatever the current market will bear. If you end up taking a small loss, your next scalp trade could and oftentimes is large enough to completely cover your previous loss and leave you more or less where you were before you were last stopped out.

- Keeps emotional capital intact: Small losses are easier to shrug off. If you are trade sizing with an eye towards keeping losses at 1% or lower, taking a small loss of 1-2-3 points will only show up in your account balance on close inspection.

- Limits damage to your account: Because you chose to trade with a small stop loss, you stay in the game and keep your capital safe.

10–15 Point Loss

- Harder to recover: It may take 5 or more winning trades just to break even. And since you are likely to throw in another loss somewhere in your quest to return to break even, you find yourself moving 3 steps forward and 2 steps back. This means it can take days of near perfect trading before you are able to erase that large loss and start focusing once again on growing your account. This can really do some damage to your trading psyche.

- Erodes emotional stability: Big losses create frustration, leading to impulsive revenge trading. If you are using a scalping method with a reasonably high win percentage (65% or more) you typically go into each trade with a winners mindset that each trade has a better chance of ending in profit than in loss. But when you take a hit from a loss that requires you to win 5 trades in a row just to get back to break even, your emotional state changes dramatically, because instead of having a more relaxed "better chance to win than lose" attitude, you are now faced with a quest-like mission to reclaim your losses and bring your account back up to your original balance.

- Significant account drawdown: Big losses can eat up your capital and make it harder to execute future trades confidently. One of those larger losses will sting. Two of these losses in a row will physically hurt. Three such consecutive losses can be devastating both emotionally and physically.

The goal of scalping is not to win every trade but to stay in control and manage risk. Losses are inevitable, but when they are small and controlled, they don't hurt your account or your psychology. Big losses, on the other hand, can spiral out of control quickly.

The Three Trade Scenarios: What Happens After You Enter A Trade

When you take a trade, only three things can happen:

1. The price immediately moves against your position.
2. The price immediately moves in favor of your position.
3. The price ranges up and down around your entry point as traders decide on direction.

Each of these scenarios requires specific decision-making, but in all cases, honoring your stop loss is the wisest move. Let's take a closer look at each scenario.

Scenario 1: The Price Immediately Moves Against You

This is every scalper's nightmare, but it's an unavoidable part of trading. No strategy, no matter how well-planned, can avoid losses entirely. In this case, the best thing you can do is exit immediately at your predetermined stop loss. Don't adjust your stop deeper into loss territory, effectively buying a ticket on the Hope Boat. Just take the L and move on.

Why Sticking to the Stop Loss is Vital

Hoping for a reversal is a trap. What starts as a small loss can quickly balloon into a large one.

Your capital is precious. Taking a quick, small loss keeps you in the game and mentally sharp for the next opportunity.

The cutthroat scalper doesn't hesitate—the stop loss is there to be executed. Losses are just part of the business, and taking them quickly is how you survive and thrive.

Scenario 2: The Price Immediately Moves in Your Favor

This is the ideal scenario—your trade moves into profit right away. Even here, though, a disciplined approach is necessary.

Managing the Trade with Precision

Lock in profits quickly: Scalpers don't aim for massive gains. Small profits, taken frequently, are the goal.

Adjust your stop loss: As the price moves in your favor, trail your stop to protect profits. When we get into the chapter discussing the specific trading method we use, I'll go into more detail on adjusting/trailing the stop, when to adjust and how to adjust.

Even when the trade is going well, stick to your trade plan. Avoid the temptation to overextend your targets or get greedy—scalping rewards consistency, not wild ambition.

Scenario 3: Price Ranges Around Your Entry Point

This is one of the trickiest scenarios. Price fluctuates above and below your entry as the market struggles to decide on a direction. Inexperienced traders often make mistakes here by holding on too long, hoping the market will eventually move in their favor.

Why It's Best to Stick to Your Stop Loss

Avoid being stuck in indecision: Scalpers thrive on fast, decisive action. When a trade lingers too long, the odds of success diminish.

Time is your enemy: The longer you're in a trade, the more exposed you are to market noise or sudden reversals.

Stick to your rules: If your trade doesn't play out as expected within your designated time frame, cut the loss and move on.

In this scenario, patience isn't about waiting for a miracle—it's about having the discipline to accept the outcome and execute your stop loss when necessary. Scalpers succeed because they understand that holding a trade too long is just as dangerous as entering impulsively.

The Psychology of Ruthless Stop-Loss Execution

Executing a stop loss can be emotionally difficult, especially for new traders. It feels like admitting defeat, but successful scalpers understand that small losses are part of the process. A cutthroat attitude toward stop losses involves:

- Accepting losses without emotion: Treat every loss as the cost of doing business, not a personal failure.
- Viewing the market as neutral: The market isn't out to get you—it simply moves. Your job is to manage risk, not predict every move perfectly.
- Building confidence through discipline: Sticking to your stop loss builds the habit of trusting your strategy. Over time, this discipline leads to consistent results.

The best scalpers develop an almost robotic detachment from their trades. The stop loss is non-negotiable—whether the loss is 1 point or 10 points, it's executed without hesitation.

Practical Tips for Maintaining Stop-Loss Discipline

Pre-Set Your Stop Loss in the Order Ticket

- Always define your stop loss when placing the trade. This removes the temptation to move it later.
- Use a preset Take Profit order to pair your stop loss with a profit target.

Use Tight Stops but Account for Market Noise

- Scalpers must use tight stop losses, but they also need to account for market noise. Place stops just beyond support or resistance levels to avoid getting stopped out prematurely.

Track Your Performance and Adjust

- Keep a trading journal to analyze trades where you honored your stop loss versus those where you hesitated.
- Use this data to improve your strategy and identify patterns where you might be holding losing trades for too long.

Practice in Simulated Markets

- If you struggle with cutting losses, practice in a demo account until executing stop losses becomes second nature. Develop the habit of acting without hesitation.

Conclusion: Ruthless Stop Losses, Scalper Success

Scalping is a game of precision, speed, and discipline. Taking small losses quickly is not a failure—it's a mark of professionalism. Scalpers who succeed understand that holding out for a reversal can destroy their profits and that every point matters. By embracing a cutthroat attitude toward stop-loss execution, scalpers stay in control, protect their capital, and build the mental toughness needed to thrive in a fast-moving market.

The three trade scenarios—whether price moves immediately for or against you, or ranges around your entry—reinforce the importance of following your plan to the letter. Stick to your stop loss, accept small losses gracefully, and move on to the next opportunity.

Ultimately, trading success as a scalper isn't about predicting every move perfectly—it's about managing losses fiercely. With a ruthless focus on discipline, precision, and

execution, you can develop the skills needed to excel in the rapid-fire world of scalping. In scalping, survival isn't about being right—it's about being quick to cut your losses and ready for the next trade.

Chapter Six

Avoiding the Fighting Kangaroo Mentality in Trading

In trading, resilience is essential. But too many traders fall into what I call the "Fighting Kangaroo Trap." This concept is inspired by a story I heard as a child about kangaroos that would step into a boxing ring and fight humans.

And just so I am absolutely clear, I have no idea if there is even a smidgen of truth to this story. It's just something I heard as a youngster and for whatever reason it made enough of an impact on me that I still remember the high points today.

So, if it turns out that the story has no basis in fact whatsoever, you don't have to write and tell me. I already sort of know.

But it's still a good story.

And according to that story, if a kangaroo took a powerful enough punch, it would often refuse to fight again, as if the impact made a lasting impression and was too much for the kangaroo to overcome.

Sadly, the same thing happens to traders who suffer a loss from trading—they feel defeated and emotionally paralyzed, walking away from the market for the day or even the week, and sometimes much longer, unable to bounce back.

While it may feel natural to withdraw and avoid further emotional pain, this response is detrimental to long-term trading success. Winning traders understand that losses are part of the game. To succeed, you must accept losses, remain mentally strong, and stay ready to take the next valid trade when it appears.

In this chapter, we'll explore the dangers of the Fighting Kangaroo mindset, why it's crucial to overcome it, and how to build the mental toughness required to get back in the ring.

Why Losses Hit So Hard: The Emotional Punch

Losses can feel like a punch in the gut. Traders aren't just losing money—they're confronting self-doubt, frustration, and fear. In many ways, the impact of a loss extends beyond the financial hit—it's a direct assault on your confidence. Here are some key reasons why losses are so emotionally powerful:

--Loss Aversion Bias: Psychologically, losses feel more painful than gains feel rewarding. Losing \$500 can feel twice as painful as gaining \$500 feels satisfying. And this applies to any endeavor where you are regularly risking money.

In the poker movie "Rounders" Matt Damon had a line about losing that applies perfectly here: "Few players recall big pots they have won, strange as it seems, but every player can remember with remarkable accuracy the outstanding tough beats of his career."

And former Oakland A's General Manager Billy Beane once said "I hate losing. In fact, I hate losing more than I love winning."

--Fear of Loss and Loss Aversion are extremely powerful emotions, and while we are not robots, as traders we owe it to ourselves to have a very short memory when it comes to losses. Journal them, review them, take whatever lesson there is to be learned from them, then move on. Don't spend your valuable time mourning the loss.

They happen. Learn from them and move on.

- Fear of Failure: Each loss may reinforce the trader's fear that they don't have what it takes to succeed, triggering avoidance behavior. This is why it is so important as a trader to recognize that losses are a part of winning, and losses can come in streaks, and usually at the most inopportune time. As long as you have proven to yourself that your trading method or system is sound and profitable over the long run, you just need to shake off the loss and move forward.

If it helps, write out a positive affirmation about your trade, your method, and you as a trader, and repeat it to yourself in front of a mirror a few times each morning to remind yourself that losses do not equate to failure, and you have all the tools at your disposal that you need to succeed.

- Overidentification: Many traders link their self-worth to their success in the market. A loss feels like personal failure rather than a normal part of the process. As with Fear of Loss and Fear of Failure, your best course of action is to learn what you can from the loss and move on. A short memory is always best in these situations.

When traders internalize a loss, they stop trusting themselves or their strategy. Like the fictional Fighting Kangaroo that gives up after one tough punch, many traders stop trading for the day or week, missing legitimate opportunities out of fear.

And I can tell you from painful personal experience that there is little that hurts as much as quitting out of anger or frustration before you reach your goal for the day, only to come back to the charts and see your system or method would have put you on a massive winner if you'd only stuck around 5 more minutes.

I believe that is called adding insult to injury.

You avoid that by behaving like a cool headed rational adult and shaking off the losses and staying focused on finding your next winner.

Why Avoiding the Market is the Wrong Response

Stepping away from the market after a loss might seem like the safe thing to do, but it reinforces negative habits and weakens your ability to grow as a trader. Here's why avoiding the market after a loss is counterproductive:

--Missed Opportunities: Each trade is an independent event. Just because the last trade was a loss doesn't mean the next one will be. If you step away, you could miss the very trade that would recover your loss. As I just mentioned a second ago, I know this one to be 100% true. If we ever meet in a bar, you buy the first round and I'll tell you all about it.

--Reinforcing Fear: Avoidance amplifies your fear of losses and reinforces the belief that you can't handle them, creating a negative feedback loop. And you will never find a more devastating critic than the voice in your head telling you what a loser you are. You silence the voice by sticking to your plan and focusing on your goals.

--Emotional Overload: The longer you wait to trade again, the more pressure builds. The next time you enter a trade, you'll carry the emotional baggage of your previous loss, making it harder to execute effectively. And you'll know this is a problem when you go through your checklist to make sure you are getting into an "all systems are go" trade, but stop and spend some time double (or triple) (or quadruple) checking the underlying data in your checklist. If you've built a proper checklist, going over the same ground twice or three or more times is just avoiding taking the trade. Stop it. If all systems are go, then you go.

--Inconsistent Performance: Success in trading relies on consistent execution. If you stop trading after every loss, your trading will be erratic, and you won't give yourself enough chances to benefit from a profitable edge.

How Winning Traders Handle Losses: Staying in the Fight

Winning traders don't let losses knock them out. Instead, they understand that losses are an inevitable part of the game, and they treat them as feedback rather than failure. Here's how successful traders stay in the fight after a loss:

Treat Each Trade as Independent

The outcome of one trade has no bearing on the next. Traders with a strong mindset understand that every trade is a new opportunity, disconnected from past results. They trust their strategy and know that even after a loss, the next trade could be a winner.

Use Small Position Sizes to Manage Emotions

One reason losses hit so hard is that many traders risk too much on a single trade. This puts immense emotional pressure on each decision. Winning traders use smaller

position sizes so that even a string of losses won't significantly harm their account—or their psyche.

Stick to the Plan No Matter What

Winning traders don't abandon their strategy just because they experience a loss. They follow their plan with discipline and consistency, knowing that the only way to achieve long-term success is to execute their edge repeatedly.

Reframe Losses as Learning Opportunities

Instead of viewing a loss as failure, successful traders see it as valuable feedback. They ask, "Did I follow my plan? Was my analysis correct? Did I manage my risk properly?" By learning from each loss, they improve over time instead of being paralyzed by failure.

Detach Emotionally from Trades

To succeed, traders need to adopt an attitude of emotional neutrality. Whether a trade wins or loses, it's just one trade in a long series. Winning traders don't celebrate victories too much or dwell on losses—they stay focused on execution and the next opportunity.

The Power of Immediate Recovery: Getting Back in the Ring

The difference between winning traders and those who fail often comes down to how quickly they recover from a loss. The market doesn't care about your emotions—it only rewards those who are ready to act when opportunity strikes. To succeed, you must shake off the loss and be prepared to execute the next trade with the same confidence and discipline as before.

Here's a practical way to reset emotionally after a loss:

--Take a Deep Breath: Give yourself a moment to relax and reset. Don't discount the power behind a deep breath. It is arguably the best way to calm down and regain any missing or damaged rationality. So take advantage of it.

--Review the Trade Objectively: Did you follow your strategy? If yes, there's no reason to feel bad—losses happen. Remember, losses happen. No big deal.

--Affirm Your Commitment: Remind yourself that trading is a game of probabilities and that your success depends on consistent execution, not individual trades.

--Look for the Next Setup: Focus on finding the next opportunity that fits your trading plan, rather than dwelling on the loss. Just make sure that All Systems Are Go. Revenge trading (throwing in a new trade just seconds after a loss) is one of the

biggest reasons traders lose their account in such a short period of time. You aren't getting revenge on the market by taking your next trade. The market doesn't even know who you are. So take a deep breath, calm down, and go looking for that next bus to arrive, as Warren Buffett might say.

Conclusion: Keep Fighting, Stay Disciplined

The story of the Fighting Kangaroo reminds us that taking a punch is inevitable in trading. But if you want to succeed, you can't let one loss keep you out of the market. Winning traders know that the key to long-term success is staying in the fight—taking losses in stride and being ready for the next opportunity.

Losses are just part of the process. The market doesn't care about your emotions, and it won't reward those who retreat every time they encounter adversity. To be a successful trader, you need to adopt the mindset of a champion fighter: shrug off the hits, stick to your strategy, and step back into the ring with discipline and confidence.

Don't be the Fighting Kangaroo. Stay in the fight, stay focused, and keep trading—because the next trade could be the one that makes all the difference.

Chapter Seven

The Best Trading Method For Constant Account Growth

Welcome to Chapter Seven, or as I like to call it, the chapter everyone turned to as soon as they opened the book for the first time.

Okay, that was a joke.

But not really.

It's okay. I understand.

All that stuff about patience and discipline and journaling and critical and analytical thinking is boring.

And I swear to you I've had this same conversation more than a few times where someone tells me "I already know all about that mental stuff and writing it down and whatever" to which I regularly reply, "If you know about it, are you practicing it regularly?"

You and I both already know the answer to that.

Almost no one journals or reviews trades looking for specific reasons the trade lost or uses a checklist, or any of the steps discussed in the earlier chapters.

Except for the Unconventional Trader.

And it's amazing to me that to actually follow the steps **EVERYONE KNOWS** should be followed makes one Unconventional.

But here we are.

So do yourself and your account balance a huge favor.

Be Unconventional.

And it starts by doing all the things discussed earlier.

--Journal your trades. Unless you're taking 30 trades a day, it should only take you a few minutes to write up how your trading session went.

--Use the Checklist to force yourself to follow your own rules and limit your trades to only those setups you consider to be the absolute best.

--Do your homework and pay attention to economic news, particularly news that concerns whatever chart it is you are trading.

--Practice patience and discipline and reward yourself in some fashion for doing so.

In other words, do your best to turn yourself into a truly professional trader.

The results just might surprise you.

Okay, end of sermon.

Let's get on with the Unconventional Daytrading Method.

The Unconventional Daytrading Method

Step One in our Unconventional Daytrading Method is using Renko charts instead of time based charts.

This will come as a shock to absolutely no one who is familiar with my trading. I've been trading with Renkos almost exclusively since 2009 and they are a perfect match for the kind of trading we will be doing here.

If you are not familiar with Renkos, they are a charting system that is based solely upon price action, not time.

A normal time based chart, such as a 1 minute or 5 minute, will form a new candle every 1 or 5 minutes, and continue to do so until the market closes.

And because there is an open and closing price on the candle, your indicators are forced to read that data and adjust your indicator accordingly. This can create a situation where your indicator is constantly giving out conflicting signals, one after the other, even though price action does not move in any significant amounts.

Renko charts, on the other hand, only track price action.

You can make the Renko boxes as large or as small as you want, although making them too small can create a constant stream of price action, particularly on charts where there is a lot of volume, and render the chart untradeable. If you are getting new boxes forming every second or two it is impossible to time your entries and exits in any sort of logical fashion.

But say you decided on a 5 pip (or point) Renko box.

When price moves up 5 points, the current box closes and a new box opens. If price moves up another 5 points, the newest current box closes and a new box opens. If price stalls out and moves down 10 points (the first five points is moving from the

top of the latest box back down to the bottom, then another 5 points down after that) a new box moving in the opposite direction is formed.

Take a look at this picture:



You can see how the boxes are formed symmetrically, moving up and down.

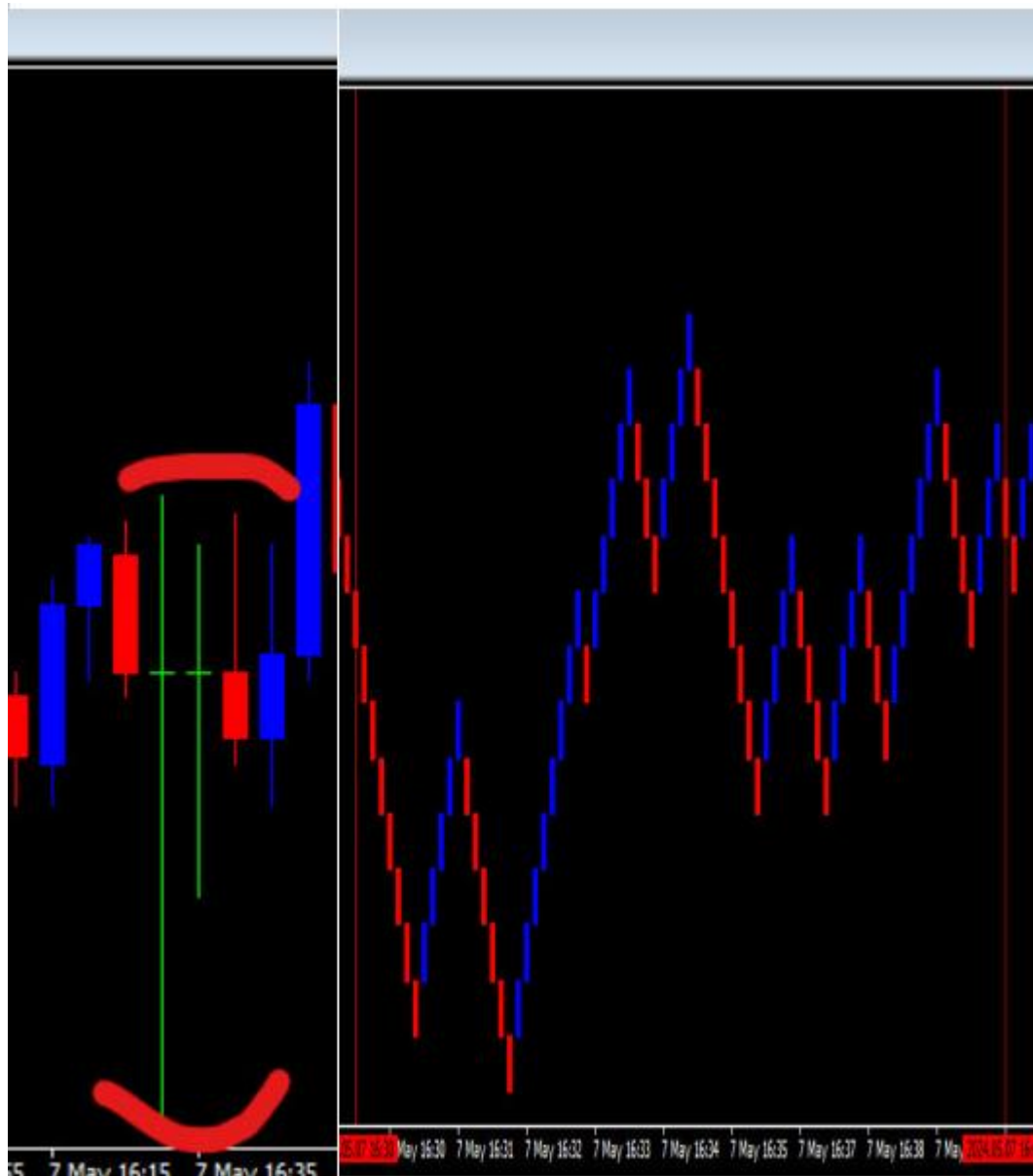
Contrast that to this picture:



You can see many, many 1 minute candles that are forming but going nowhere (price is trending up or down in a 4 pip range). Take a look at the indicator (a 2 line MACD). Notice how the two lines keep crossing back and forth but price still remains in a fairly tight range.

This is one reason why trading Renko charts is far superior to time based charts. Your indicators work so much better when the only adjustments are made after a significant amount of price action instead of forced openings and closings of time based candles.

Another great reason to use Renko charts (and the one that really caught my eye back in 2009 when I first saw them in action) is this:



See those two charts?

The one on the left is a 15 Minute chart.

The one on the right is a 5 pip Renko chart for the same time frame represented by those 3 consecutive doji candles on the 15 minute chart.

While traders watching the 15 minute chart were sitting on their hands waiting for something to happen to give them a reason to buy or sell, Renko chart traders were treated to multiple price moves ranging 25-40 pips.

So while the 15 minute chart traders were frozen in place, Renko traders were racking and stacking pips and were likely done with trading for the day before the 15 minute charts folks ever got their first trade placed.

But the best reason of all to trade Renko charts?

No one else is using them (by “no one else” I mean a very tiny percentage of traders use Renkos, less than 1%).

You could say only Unconventional Daytraders use Renko charts.

And you would be correct.

Out there in the trading community, Renkos are despised by most “conventional” traders. They will tell you Renkos are unreliable. That they repaint (they don’t but few people ever let facts get in the way of their opinions). There are all sorts of nonsensical reasons given by the time based trading crowd for avoiding Renkos.

But the #1 Reason conventional traders hate Renko charts is because “The Herd” long ago decided to use time based charts, and when The Herd has spoken, the members of the herd adopt that opinion as if The Lord God himself handed down the decision from Mt. Sinai, carved on a stone tablet.

And something that is that widely used and revered by such a large group of people would normally end up being worth exploring.

But remember...

96% of ALL retail traders end up losing their money.

96%.

So while it may work out in other venues, following The Herd on this one is all but guaranteed to drain your account and leave you with the decision to reload your account with more money and try again, or give it up forever and try something less expensive, like basket weaving.

To be Unconventional means you have to look at what The Herd is doing and consciously decide to do something different.

And with trading, the first “different” step you take involves setting up Renko charts.

Step Two is deciding which trading method to use with your Renko charts.

And successful traders already know there is one “method” (or philosophy, if you prefer) that stands head and shoulders above all others.

It's called Mean Reversion.

For those of you who are math-averse, Mean Reversion simply means "A return to the middle", and for trading purposes, it explains why price moves up and down (apart from Buy/Sell trading volume).

Price moves in one direction a significant amount. Then it reverses and comes back. Sometimes part of the way back, sometimes all the way back, and occasionally even further back than from where the original move started.

You can be in an absolute king-hell power trend up or down, and price will still reverse and come back at least in small amounts, before turning back and moving deeper into the controlling trend.

If you study Fibonacci numbers you can see there are specific Fibonacci levels which have held steady over a massive amount of time, and price will move back to one of those levels nearly every time (and by moving to a level it does not mean a specific price point down to a penny...just getting a few pips either side of the level is good enough for our purposes).

If you've used indicators in the past that measured "overbought" and "oversold" levels, what those indicators are saying is that price has moved far enough in one direction to trigger a Mean Reversion move back towards the center (and eventually into the other "over" territory, going from Overbought to Oversold, or Oversold to Overbought).

There are some very good indicators, both free and paid, that do a good job measuring overbought/oversold, particularly on a Renko chart.

For our purposes, we are using a modified RSI indicator called Renko-Marsi.

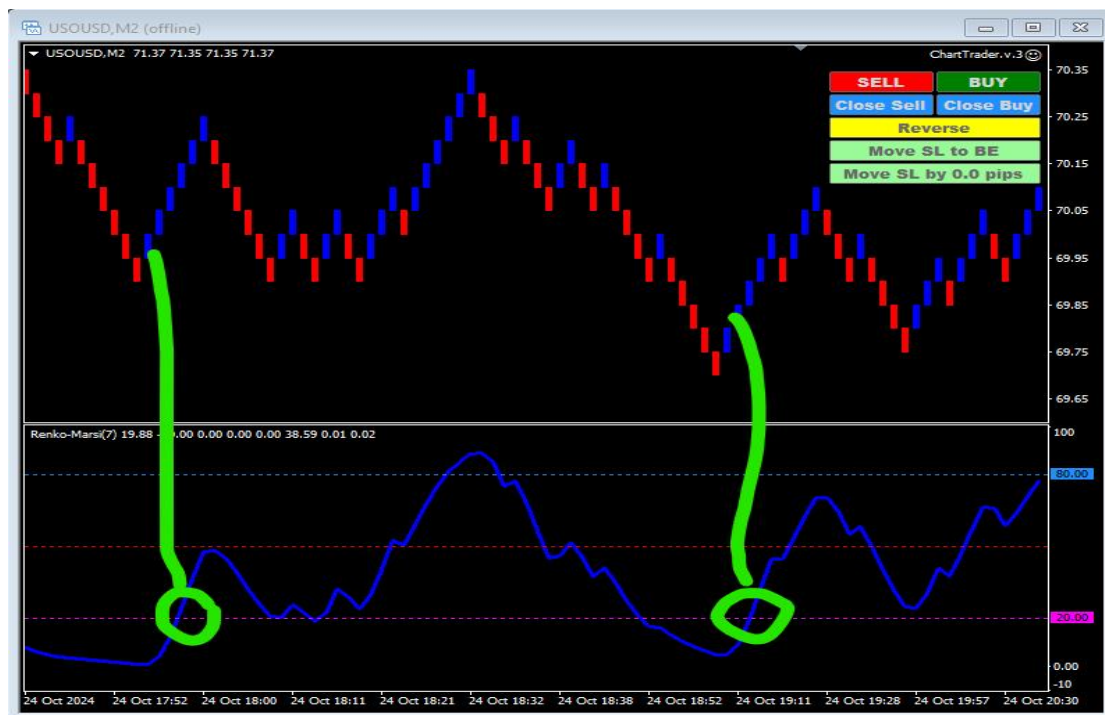
This is what it looks like when installed on a Renko chart:



A single line, moving from top to bottom and back up again within the indicator window. There are two levels marked inside the window, 80 and 20, which are key to finding profitable trades.

All we want to see happen is for the Line to break down through the 80 level or up through the 20 level. This is our entry.

Buy Signals look like this:



Sell Signals look like this:



Those are the solid gold, 100% pure, take 'em as soon as you see 'em trading signals, with this caveat:

If the line breaks down through the 80 line or breaks up through the 20 line, but the Renko box responsible for this break is still open, meaning it has not closed and locked itself into place...

YOU DO NOT TAKE THE TRADE UNTIL THE RENKO BOX CLOSSES.

Because until the Renko box closes (preferably in the direction that caused the Renko-Marsi line to break the 80 or 20 level) it is not a signal. Price could stall out, reverse, and drag the Renko-Marsi back into the 80-100 or 20-00 zone and render the signal dead until price makes another move below the 80 or above the 20.

Don't take this lightly, and don't get out in front of the trade thinking that Renko box is going to close for sure and by jumping in a couple of points early you make a little more money.

WRONG!

If you get into the trade before the triggering Renko box closes and locks the signal into place, you stand an excellent chance of seeing price reverse, wipe out the signal, and take out your stop loss, leaving you with less money in your account for **NO GOOD REASON!**

So make sure the Renko box that gifted you with the signal is closed, then take the trade.

Also, there are charts like Oil and Gold, where price will form a new Renko box, which closes once price has moved the set number of pips or points needed to form the box, then price will reverse and move backwards a number of pips.

This happens so often I have trained myself to not take the trade the very second the Renko box closes and locks in the signal.

By waiting, I end up getting into the trade at a price that is 3, 4, 5 or more pips better than had I jumped in the very second the Renko box closed and the signal locked in.

By waiting I have ended up missing out on a few trades where the next Renko box formed and kept going in the direction of the current trend.

But probably 80% of the time price just keeps ranging back and forth around the newly formed Renko box, and by waiting I end up hitting my profit target with less stress than when I need price to form a new Renko box and move far enough to close that box in profit.

So be aware that it is likely more profitable to wait to get into a trade on some charts than to rush right in once the triggering Renko box closes and locks the signal into place.

So we have a chart, we have an indicator that gives us signals, and we have an entry.

What do we do next?

We look for price to move us one full box into profit, then we close it out and quit for the day.

And I can hear you from my hut in Florida:

DUDE! ARE YOU INSANE????

One box profit? How the hell do you make any money if you just take one box in profit and quit for the day?

For those of you who didn't throw your book (or your Kindle reader) across the room in disgust and are still with me, here is the deal:

Many years ago I ran a trade room where members had the ability to speak and interact with other members. One of those members was a guy named Stu. Stu was a character, mostly because he had no filter between his brain and his mouth and was capable of saying anything (one night I took a break for a few minutes and came back to Stu regaling everyone about his latest prostate exam...he was that kind of guy).

But one of the things he used to say on repeat was "No one ever went broke taking profit".

That's one of those aphorisms that everyone hears and smiles and says "That's right Stu" but no one ever really gives it any thought.

And the truth is, you can actually construct a trading plan built around taking a single Renko box as profit and end up making a significant amount of money.

I am going to go into greater detail about this in the Trading Plan chapter, but let me give you a taste right now.

(And this is aimed more at Forex traders simply because FX traders can find brokers with the right amount of offered leverage and spreads on charts like Gold and Oil that they can make this extremely profitable very fast with little risk...but futures traders can do the same working within the limitations of their futures account...it just takes a bit more creativity).

I currently trade FX with a broker named Coinexx. I trade Crude Oil (USOil is the chart name) using 5 cent Renko boxes (box size setting is 5) so every time price moves 5 cents, a new box is formed.

The leverage offered by Coinexx is 500-1. When applied to the Crude Oil chart, this means I can take a single Full Lot trade on Crude Oil for about \$125 in leverage.

A single full lot trade on Crude Oil returns \$10 for every single one penny move in price. If I get one full box to close in my favor (meaning I cover the spread which is typically 1-3 cents when I place my trade AND get 5 cents into profit) I make \$50.

If I place a 2 Full Lot trade under the same conditions (that takes about \$250 in margin funds), I make \$100.

If I take 2 trades a session that end up hitting my target, I make \$200 on the day.

That works out to \$1,000 a week, and \$52,000 a year.

All from taking profit off of ONE RENKO BOX worth of profit.

Are you currently making \$50,000 a year or more from your trading?

If, as I suspect, the answer is no (and it is no for most of you) maybe you need to try something a little Unconventional, like taking small amounts of profit and grinding your account up into something to be proud of.

In the Trade Plan chapter I'll go over the amounts you should have in your account to make a plan like this work, and how to grind up to those amounts if you don't have them readily available.

But what you have available to you right now is the blueprint to follow to start making trading a legitimate source of extra income now, with the ability to turn it into a primary income source down the road in the not too distant future.

And for you prop firm traders, you should have plenty of funds available to you to trade Oil, and simply follow the same plan until you reach your target that allows you to pass the Challenge and get a funded account.

And at that point you can do the math and figure out how big or small you can start trading that funded account and turn your trading skills and passion into a significant paycheck.

Chapter Eight

The Only Trading Plan You'll Ever Need

In this final chapter, I am going to briefly go over the math you need to follow in order to start placing trades that keep your risk in check while giving you the best shot at grinding out consistent winners that actually add up to real money.

And don't worry, this is all elementary school math stuff...no calculus, no trigonometry. You should be able to do most of it in your head, but if not, whip out your smartphone and open the Calculator app.

So the first thing you need to do is figure out what you can risk.

The equation is account balance divided by 100. The answer equals 1% of your account, which is the starting point to determine how much you want to risk.

If you want to risk 2% you take the answer and multiply it by 2.

If you only want to risk 1/2 of 1%, you take the answer and divide it by 2.

So say you have an account with \$1,000 in it. To figure out what amount equals 1% you divide 1000 by 100, to get 10. \$10 equals 1% of your account so when setting up your stop loss you want the dollar figure you are risking using that stop to equal \$10.

Unless you want to risk 2%, in which case you take your answer (\$10) and multiply it by 2, to get \$20.

Or if you only want to risk 1/2 of 1%, you take your answer (\$10) and divide it by 2 to get \$5.

Take the number you end up with and set it aside for now.

The next step is to decide on what chart you will trade and figure out the margin requirements.

The easiest way to do that is to open a series of trades using your broker's demo account and track the important numbers as they appear in the Terminal Window.

To get to the terminal window you click on the View tab along the top of your MT4 platform and select Terminal. This will open the Terminal Window. For MT5, click on the View tab and select Toolbox.

With the terminal window open look at the tabs running along the bottom of the window and click on the one labeled Trade. This should be the tab on the furthest left.

With the Trade window open, take a demo trade. Either take 1 full lot (1.0) trade or 1 Micro Lot (0.01) trade. Once the trade is accepted by your platform a line of data will appear in the window. Part of that data line is Margin: and a dollar figure next to it.

This is the amount of funds you need to have available in your account to open the trade size you opened for the chart you are working with.

If you opened a 1 Micro Lot size trade, and your broker took \$2.15 out of your account and is holding it for margin, you can extrapolate that out to your broker requiring \$21.50 for a single Mini Lot trade, and \$215.00 for a single Full Lot trade.

Make a note of these figures for reference later when you are trading.

So you have your risk size worked out, and you know how much you need in your account to cover the margin on a trade.

Now you need to decide on a Renko box size.

There is no single right answer for any chart, as every trader has their own likes, wants and desires when trading and it's no different with Renko.

But I can give you some starting points, and then you need to experiment a little bit with different Box Sizes until you find one that works for you. And just because a certain size works for you does not mean it will work for me, and vice versa. So just keep playing around with different sizes until you get it right just for you.

With standard Forex currency pairs, you should start with a box size of 5, then go up or down by 1 pip until you start seeing charts you think you can trade. Be aware that the smaller you go from 5 the faster the chart will move, meaning the faster boxes will form. If they start moving too fast, you end up being a spectator because you cannot get trade orders filled, entries or exits, anywhere near the price you wanted, as price is flying around too fast.

On the other hand, too large a number and you can find yourself sitting for hours waiting for a new box to form and a signal to develop.

So you are really looking for that happy medium that works best for you.

If you have a lot of time to spend in front of your platform each day, larger box sizes are much more stable and tend to stay in line with whatever trend has developed, so they are really the better sizes to trade.

But smaller boxes give off a lot more signals as price moves up and down in smaller segments. You'll get a lot more signals, but the value of those signals is worth less

since price tends to turn around faster and more often, leaving smaller amounts available as profit.

So again, repeating myself, you really do need to spend a little time, preferably on weekends when the market is closed, testing out different box sizes to find one that works best for you.

And all the remarks I just made about trading FX currency pairs apply to any of the other trading vehicles your broker might provide access to.

Gold, for instance, is a chart that either moves around a whole lot or very little. Given all the economic uncertainty we are dealing with in 2024 (and likely for a few more years at a minimum), most days movement falls into the “whole lot” category, meaning Gold will be an excellent chart to trade for a long while.

My personal preference is to use \$1 Renko boxes, which on most broker’s charts means a Renko Box setting of 100. The easy way to tell with Gold is to look at how your broker displays the price. If they display both digits after the decimal point, then you use 100 as the box size. If they only display a single digit after the decimal point, then you would use 10 as the Renko Box size to display a \$1 box.

And if your broker does not display any of the digits after the decimal point, you’d use 1 as your Box size.

The vast majority of brokers display both digits, so the odds are huge that you will use 100. But I’ve run across a couple of brokers who only display that first digit, so a 10 setting would be needed with those brokers.

As I mentioned earlier, larger box sizes are more stable and tend to mimic the price trends pretty closely. So I am quite happy with my \$1/100 Box Size setting trading Gold.

But some days Gold is flat from start to finish. By flat I mean it’s inside less than a \$6 or \$7 range from top to bottom and stays there the entire day.

When that happens, I drop down from 100 to a 70 setting, which is still fairly stable and still gives off solid tradable signals. And because price action is slower than typical, the smaller box size keeps you on your toes and paying attention.

And while I do not necessarily recommend it now, back about 10 years ago Gold became comatose for a couple of years and we were using 35 as our Box size then. But even with such a small size, price action was so slow it still could take 30 minutes or an hour to catch a 3 or 4 box move.

I put up a 35 box size a few weeks ago just to see what it looked like during these faster sessions and it was almost impossible to keep track of, with price moves up

and down so fast three or four boxes will materialize on the chart in the blink of an eye.

So start with a \$1/100 pip Box Size setting and adjust it from there.

Oil is another chart that has perked up quite a bit lately, thanks to World War III being talked about as a foregone conclusion and right around the corner.

And barring some events with a decidedly religious tint to them taking place, Oil will likely remain a great chart to trade for the foreseeable future as well.

My Oil chart has been running with 5 cent Renkos (a Box Size setting of 5) for about as long as I've traded Oil. Again, you should still experiment with this setting as you might find a 4 or a 6 setting works better for you. But definitely give 5 a chance at the beginning. There is a lot more to share about Oil, which I'll get to in a page or two.

Index charts are another great source of trade signals, but the Renko Box sizes are all over the board.

And again, the settings themselves depend on how your broker displays the digits after the decimal point.

For the US30 (DJIA equivalent) and the JPN225 (the NIKKEI equivalent) you want the Renko Box size to equal \$5. So the setting would be 500 with 2 digit brokers, 50 with 1 digit brokers, and 5 where they don't display any of the digits after the decimal point.

For the US500 (S&P 500 equivalent) a \$1 box works great, so a setting of 100 (2 digit) 10 (1 digit) or 1 (no digits after the decimal point) would be the setting.

For the NAS (Nasdaq equivalent) start with a \$1 box but don't hesitate to bump that to \$2 or even \$3 if price action is fast. This chart can be really slow (in which case the \$1 box works best) but there are times, particularly during earnings season when the stocks that make up the index release their quarterly earnings reports, that even a \$3 can seem fast. So be flexible with NAS.

The GER30 (the German DAX equivalent) can get a little crazy like the NAS as well, so start with \$1 and move up to \$2 or \$3 if price action is too fast at \$1.

As for the remaining Index charts, I don't trade them at all so I can't really say for certain which box size works best. But I have glanced at enough of their charts to know that they rarely display the kind of fast paced action we see on the American based Index charts, so start with \$1 boxes and move up from there if need be.

So now you have a stop loss/risk number in mind, the margin requirement for the chart you want to trade, and a Renko box size to use when setting up your chart.

And based on information from an earlier chapter (and what you'll find in the Appendix to this book) you have your checklist by your side, ready for action.

It's time to trade.

So let me walk you through how I do this, to give you an idea how to set up your own trading routine.

I start my morning scanning the news. I go to Google News and scan the headlines, just to keep up on what's happening in the world (and because I trade Oil, to make sure the Middle East didn't turn into a giant smoking hole in the ground overnight). Then I check the Forex Factory calendar to remind myself what economic news events are on tap for the day.

As long as I'm feeling okay (another item on my checklist) I turn on my platform and take a look at the charts. I trade Oil almost exclusively, but I keep a Gold and a US30 chart open just to keep an eye on them and if/when I see a trade setting up, I give myself the option to take it if I can't come up with a reason to pass.

Most mornings I am in front of my charts by 7 a.m. Oil is well known for giving off very good signals after 7 a.m., and again just after 8 a.m., and again right after 9:30 a.m. (all times eastern time zone). If I can take two trades and close my single box target during the 7 a.m. hour, I am effectively done for the day.

If 7 a.m. fails to provide any decent trades, I look to 8 a.m., and if 8 a.m. fails to help, I look to 9:30 a.m.. It is a rare day when none of these three times gives me the sort of price action and indicator support to find and take the trades, but when it happens, I shutdown my platform until around 12 noon.

You may have heard it said that you need to find your trades in the first hour after the markets open at 9:30 a.m., and that later day trading is not worth the effort due to low volumes and lower volatility.

This is pure hogwash.

Trading after 12 noon for Oil, Gold, and even the Indices, can be the most profitable and stress free trading you will ever experience. There are typically multiple moves that run 4-6 Renko boxes in each direction, and the price action is slower but steady, with fewer drawdowns and reversals than you see during the morning just after the Index markets open.

Since I've made the switch to trading for just one or two Renko boxes, I rarely need to come back in the afternoon, but it's nice to know I can always salvage an otherwise lousy morning by having a little patience and coming back after lunch.

So What Should You Do From Here?

1. Choose a pair to trade. I strongly recommend Oil as long as your broker offers it with a small spread (1-3 cents) and you can fund a full lot trade for \$125-150 or so. You get the most bang for your buck trading this chart, and you can quickly grow your smaller account into a larger account with strings of \$100-200 winning trades.
2. Pick a lot size to trade. Assuming you go with oil, your stop loss is going to be small. I get out the second the trade closes a box in the opposite color, which is around a 12 cent stop loss but if I wait until price retraces some before entering, I can knock that down to anywhere from 5 to 7 cents, meaning I can afford to be wrong more often and still lose the same amount of money overall. It also means I can trade a larger lot size...if I am trading 1 lot and can lose 20 pips and be within my 2% risk window, if I can lower that loss to 10 pips it means I can now trade 2 lots and still be inside my 2% risk window. So don't be afraid of missing the occasional trade that just runs one way. Waiting on the price retracements can be a very profitable decision, especially with Oil, which retraces A LOT on a regular basis. Put up a chart and see for yourself.
3. Wait for the best signal possible from your indicator and when you get it, take the trade. The indicator I am using for this gives off a very strong signal, which amounts to the line breaking upwards and running along near the top of the indicator before turning back down and breaking through the 80 line, or running along the bottom of the indicator window and then turning up and breaking through the 20 line. The line breaks in these two scenarios give the best signals possible with this indicator. Any time the line barely breaks up above the 80 or below the 20 and then reverses and heads the other direction is also a signal, and it can be responsible for some winning trades. But waiting for the best signal and only taking those trades will serve you the best in the long run.
4. Stay with your lot size and keep grinding out winning days until you double your account. Once you've doubled up, adjust your lot size upwards and start trading with an eye towards doubling again.

And remember, two full lots on Oil and two 5 cent Renko boxes a day equals about \$1,000 a week in earnings from your trading. You don't need that large of an account to trade two full lots safely, especially using a method that is going to get you a box ahead on your trades about 8 times out of 10.

So make the trades, bank the earnings and pull some of it out every couple of weeks so you can see for yourself this is real money we're talking about.

A Final Word On Your Trade Plan

When I was a kid there was this bubble gum called Bazooka Joe that had these lame ass jokes printed on the wrapper. One that I cannot forget because it seemed so stupid at the time was "Q: How do you eat an elephant? A: One bite at a time."

It was the ultimate Dad Joke groaner at the time.

But as I've gotten older, and occasionally been reminded of that joke, I began to see there was actually some wisdom hidden inside there along with that brick of bubble gum designed to destroy your jawline.

This industry (trading) is nearly overwhelmed by people who think the proper way to eat that elephant is to jam the entire thing in your mouth and swallow it whole. Far too many traders have this mindset that they need to immediately start trading a 6 or 7 figure account because they need to be making \$50,000 a day for reasons only they know (but likely because they want to run out and buy a Lamborghini for cash to impress everyone, and then wreck it about 10 seconds after they leave the dealer's lot, as we see done on Youtube all the time).

These are the people who comprise The Herd.

They don't want to have to wait to build their accounts. They don't want to use practice accounts to learn some basic skills. They don't want to read books or listen to the ravings of some aging trader who might, might, I say, know at least a little something about setting and reaching trading goals.

They want it all right now and they don't care how much money they lose trying to get there.

Patience. Discipline. Critical and Analytical Thinking. Checklists. Fanatical observance of your stop loss rules. Losing trades without them destroying your day (or your confidence). Following your plan to the letter.

This is how you consume a Forex Elephant.

One bite at a time.

And once you've eaten the first one, you start on the second, which is twice as big.

And before you know it, you can be out there wrecking brand new Lambos with the best of those moronic kids, if that's your goal. Just make sure you put it up on Youtube. We all want to see that.

I wish you the best in all of your trading endeavours, and if you have any questions you'd like to ask me about this book or trading in general, drop me a line at jeffglennellis@gmail.com and I will get a response back to you as soon as I can.

Good luck and good trading.

Appendix

Pre-Trade Checklist (Before Entering a Trade)

1. Validate the Trade Setup

- Explanation: Make sure the trade aligns with your strategy's criteria. No setup should be taken on impulse or emotion.
- Task: Ask: "Does this trade align with my strategy and meet all the required conditions?" If not, don't take it.

2. Analyze Risk/Reward Ratio

- Explanation: Winning traders focus on high-probability trades with favorable risk-to-reward ratios (e.g., 1:2 or better).
- Task: Calculate your potential loss and profit. If the reward isn't worth the risk, skip the trade.

3. Position Sizing Check

- Explanation: Proper position sizing helps manage risk and avoid overexposure. It ensures you only risk a small percentage (e.g., 1-2%) of your account per trade.
- Task: Use a position size calculator or formula to ensure your position size matches your risk tolerance.

4. Set Stop Loss and Profit Targets

- Explanation: Predetermined stop losses and profit targets help eliminate emotional decision-making.
- Task: Define and place your stop loss and take-profit orders before entering the trade.

5. Check Market Conditions (Volatility and Spread)

- Explanation: Volatile markets or large spreads can turn a good trade into a bad one. Make sure the market conditions align with your strategy.
- Task: Use the ATR (Average True Range) to gauge volatility and confirm that spreads are within your acceptable range.

6. Plan Exit Scenarios

- Explanation: Know in advance how you'll handle various outcomes—whether the trade moves in your favor, against you, or ranges around your entry.
- Task: Write down your action plan for each scenario. Example: "If price moves 2 points against me, I'll exit immediately."

7. Take a Deep Breath and Confirm Calmness

- Explanation: Emotional control is essential for effective trading. Entering trades while nervous, stressed, or impulsive is dangerous.
- Task: Before clicking the button, take a deep breath. Ask yourself, "Am I calm and clear-headed?"

8. Log Trade Entry in Journal

- Explanation: Tracking trades helps you analyze performance over time and learn from mistakes.
- Task: Record your trade setup, reasons for entry, and emotions in your journal or tracking sheet.

Simple Checklist for Printing and Lamination

Use this abbreviated version of the checklist for quick reference. Print it, laminate it, and mark off each step with a grease pencil as you complete it.

****Pre-Market Routine Checklist****

- ☐ Mental Preparation: Clear mind? Feeling well/healthy?
- ☐ Review Market Conditions: Bullish, bearish, or neutral?
- ☐ Check News/Events: Any major announcements?
- ☐ Watchlist and Key Levels Ready: Focused assets marked?
- ☐ Test Equipment: Platform, charts, and internet OK?
- ☐ Set Daily Profit/Loss Limits: Defined max loss and goal?

****Pre-Trade Checklist****

- ☐ Validate Trade Setup: Align with strategy?
- ☐ Risk/Reward Check: Favorable ratio? (1:2 or better)
- ☐ Position Sizing: Correct exposure?
- ☐ Stop Loss/Profit Target Set: Orders placed?
- ☐ Market Conditions: Volatility and spread acceptable?
- ☐ Plan Exits: Prepared for all scenarios?
- ☐ Emotional Check: Calm and clear-headed?
- ☐ Log Entry in Journal: Documented setup and emotions?

This checklist ensures you have a structured approach to your trading. By following it daily and before every trade, you can remove guesswork, reduce emotional mistakes, and stay focused on your strategy. Consistency is the key to long-term trading success!