Where Have I Been?

By disciplined_daytrader · August 16, 2022

TL;DR

In this blog post, the author shares their recent trading journey, detailing struggles with options trading and the importance of risk management. After experiencing significant losses, they reflect on their overtrading habits and emphasize the need for discipline and patience in trading. The author celebrates small victories in improving their trading strategy and win rate, focusing on long-term growth rather than immediate profits.

August 16th, 2022

Well to start it off I havent even posted on Tradejournal in over a month now. In my last post I was only 17 dollars above PDT. The next day I lost over 100$ and decided that instead of constantly trying to keep my account above 25k it would be easier for me (mentally) to just get rid of that stress and convert my account from margin to cash. I had about a 3 day settlement period (2 days to convert to cash + 1 day to approve options trading) where I basically only traded in the simulator with options since I knew that was the only way I would be able to short large caps (my favorite thing to do). I made 100$ each day in the simulator (of course hahhahaha) for those 3 settlement days so options felt like it was gonna be just like trading shares. Well I took 1 trade the first day my account was live with options trading and I lost $40 almost instantly. Then I took another and lost $50, and another -$35, and another -$25 etc. Took the loss the whole way up to -$256 which was 50$ larger than my biggest loss of 2022. Thought to myself that its fine since it was my first day (even tho it was completely not fine). Came in the next day swinging with similar size and boom lost another $110. Thats when I realized I am trading options way too aggressively as a beginner and I cannot approach it the same way I approach shares. You pay $1.20 in fees for every contract so I needed to find out how to reduce the amount of trades I was taking drastically. Long story short, I sized down the following days and the next week just to calm myself down, even though I still took decently heavy losses (-$75). Out of my first 9 days trading options I lost a total of $467 dollars which embarrasingly was about a hundred more dollars than I am up on the ENTIRE YEAR. My risk management on this was absolutely awful and is pretty much a golden example of what not to do when you have to change your instrument in trading. 1 week giving up 6 months (although extremely extremely measly) profits just because I am below PDT and hungry for cash is absolutely absurd and unacceptable. BUT lets change up and give some good news that followed these awful risk management sessions.

August Begins:

Something that I have constantly been working on over the last 6 months is my habit of overtrading. We all have been in stages of our trading careers where we take a 1$/share move either with 10 trades in and out constantly watching the 1 minute chart and being spooked by every candle. Yeah we can make money doing that but its stressful and teaches pretty shitty lessons. When I see those god level traders out there like Stephen Dux or Carmine Rosato or Quallamaggie or Minervini, they are not trading more than 1 time per day at the absolute maximum. They are able to make insane profits because they can scale at a level that is unforseen by retail since they only take the perfect setup that they know they have a high probability of winning on. I want to be like those traders and once I realized that options cost more money in fees and they are meant to be held for long periods of time rather than shares (because of delta growth) that can easily be exited or entered in a split second, i knew that this would create a new incentive for me to trade the fewest amount of times possible. If you take a look down below you will see how I approached the beginning of August. I took a total of 6 trades in the first week with a pretty good profit considering the fact that I was using options with a delta of below

0.25 which equates to only a 25 share position size. Mind you that is about HALF of the size that I previously used in July (50 shares) and I somehow managed to make more in that week than I made in any week in July. In the second week of August I was at the beach and did not want to trade much so I just watched and basically waited for my instincts to tell me when a good short setup was arriving and I absolutely NAILED a few trades with even smaller size than before (15 shares). I know this is nothing whatsoever to run home about in terms of $ P/L but the fact that I was able to only take a total of 19 trades in the first 2 weeks of August is probably my biggest accomplishment of 2022 so far. In my stats from all of 2022 so far I have about a 1/3 r/r and a 32% win rate. That makes me slightly profitable technically. I know that if I ever want to actually make enough money to be able to cash out sometimes, then I will have to bring up my win rate significantly. In August my win rate is about 39% which is a clear step in the right direction. My r/r is actually higher than before sitting now at about 1/4 so far in August. I understand that this all seems quite trivial to someone who just wants to make quick money in the stock market but for someone who has actually been spending their entire energy everyday for years now attempting to just make 50 dollars a day, this is a huge win for me. I will keep it up within reason and hope to keep this discipline throughout the month. I do not care about how much money I make at this point in my career, I only care about how well I followed my rules. If I am right or wrong on a trade it does not matter, what matters is:

1. Did you set risk and let the trade go?

2. Did you allow emotions to rule trades after something did not work?

If I can follow these rules everyday I will eventually make so much money that these months and years of deep pain where I spend enough hours to match a full time salary position at JPM, will all be well worth it. If there is one thing that I have figured out about myself over the past 2 years of trading it is that everyday when I am deep red and I feel like its all over and I want to quit, the next day comes and I could not imagine any other dream scenario for me to be living in. Even though I still cannot make enough money to live the life I want, I will die before I quit. This is a game of probability and if there is one thing I know for a fact has a 100% chance of success, it is to simply never quit.

August, 2022

Sun	Mon	Tue	Wed	Thu	Fri	Sat
	1 -$21.32 1 trades	2 $57.67 1 trades	3 $38.36 2 trades	4 $20.36 2 trades	5	6
7	8 $27.68 1 trades	9	10 $14.36 2 trades	11 $7.08 6 trades	12 -$33.28 4 trades	13
14	15	16	17	18	19	20
21	22	23	24	25	26	27
28	29	30	31			

FAQ

What prompted the author to switch from margin to cash trading?

The author decided to convert their account from margin to cash to alleviate the mental stress of maintaining a balance above $25,000.

How did the author perform in their first days of options trading?

The author faced significant losses totaling $467 in their first nine days of options trading, realizing they were trading too aggressively as a beginner.

What changes did the author make to their trading strategy?

The author focused on reducing the number of trades and increasing discipline, aiming to trade less frequently and with smaller position sizes.

What was the author's win rate in August?

In August, the author's win rate improved to about 39%, which was a step in the right direction compared to their overall performance for the year.

What is the author's main focus in their trading journey?

The author emphasizes the importance of following their trading rules and maintaining discipline over making quick profits.