September 6th, 2022 (-$62)

By disciplined_daytrader · September 6, 2022

TL;DR

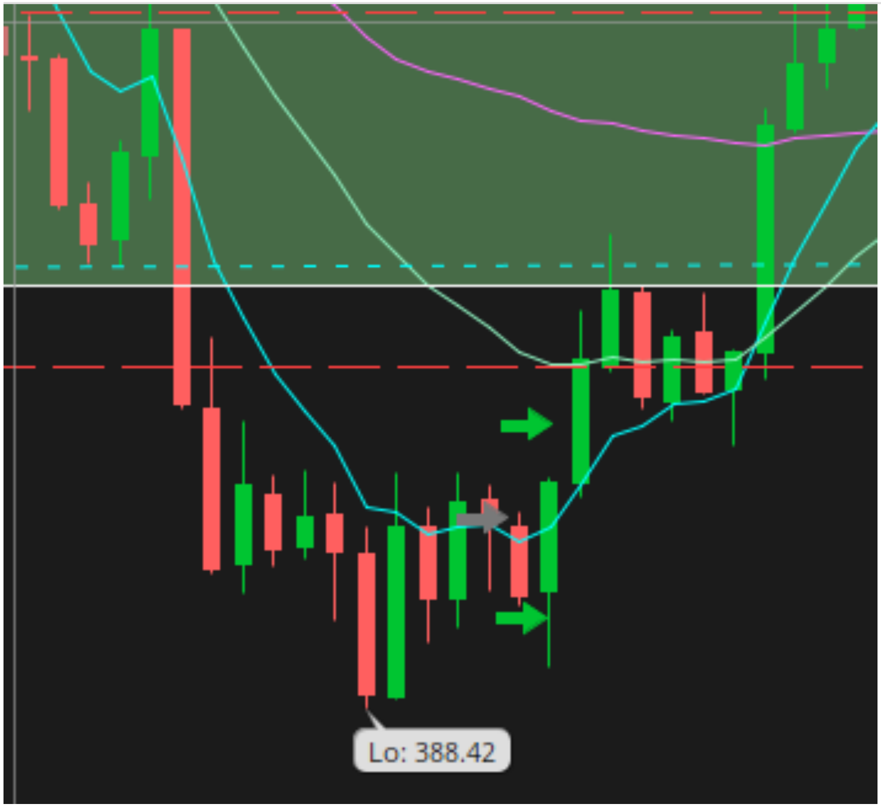
On September 6th, 2022, I experienced a loss of $62 due to mistakes in my trading strategy, including breaking my own rules on trend continuation and reversal trades. I analyzed my trades, identified errors such as greed and poor timing, and emphasized the importance of maintaining emotional stability and adhering to my trading rules for future improvement.

Lets go into depth into what my trades were today. Why they were good/bad. What I could do to improve them. and Why I broke some of my rules.

My rules are:

1. Never Fight the Micro Trend (Trend Trading Strategy Only)
2. Stay Emotionally Stable
3. Hold for the Target Price
4. Do not give into Greed

Trade Number 1: Short Trend Trade



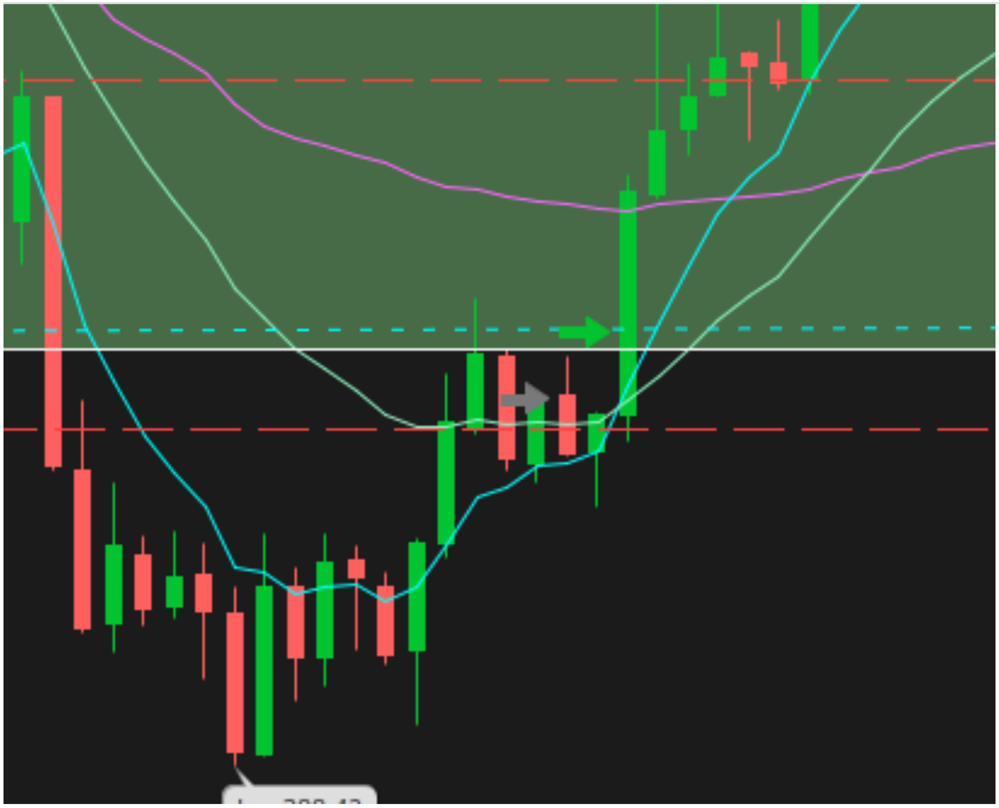
-I took the attempted break of the 7 for the continuation to the downside on this short

Mistakes: If I wouldve taken my full position at my target I wouldve made a nice 40 dollars on a very simple setup and trade. Sadly I did not and only took half of my profits at my target. This was a clear implication of being greedy and expecting a bigger move than I got. I took half for about a $30 win then the second half spiked on me and since I sell in market orders I had slippage that skipped me out another 25 cents above my stop price. This made me lose on the trade that shouldve just been a quick $36 win on a very simple setup. Although I was clearly wrong on the trend continuing I wouldve avoided the loss completely if I took it at my target.

Rules Broken : 4. Do not Give into **Greed**

Solution: ALWAYS take the trade at your target no matter how much of a piker you feel

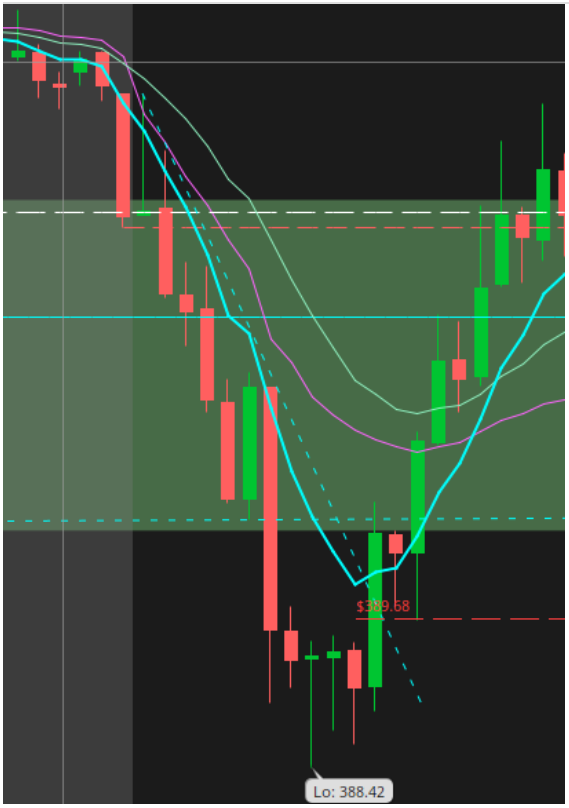
Trade Number 2: Short Trend Trade



-I again went for the Trend Continuation trade where I believed that the SPY would break down back through to the downside. Sadly I was wrong again. I think that a good rule for the trend continuation trades is that if the SPY is above the 20 you cannot anymore go for trend continuation trades. It is simply too risky. Luckily I did not get too angry after this loss and just accepted it for what it was and tried to keep my composure throughout the session.

Mistake: Do not go for trend continuation when we break back above the 20. The chances of continuation lower significantly when the 20 is broken.

Solution: ^

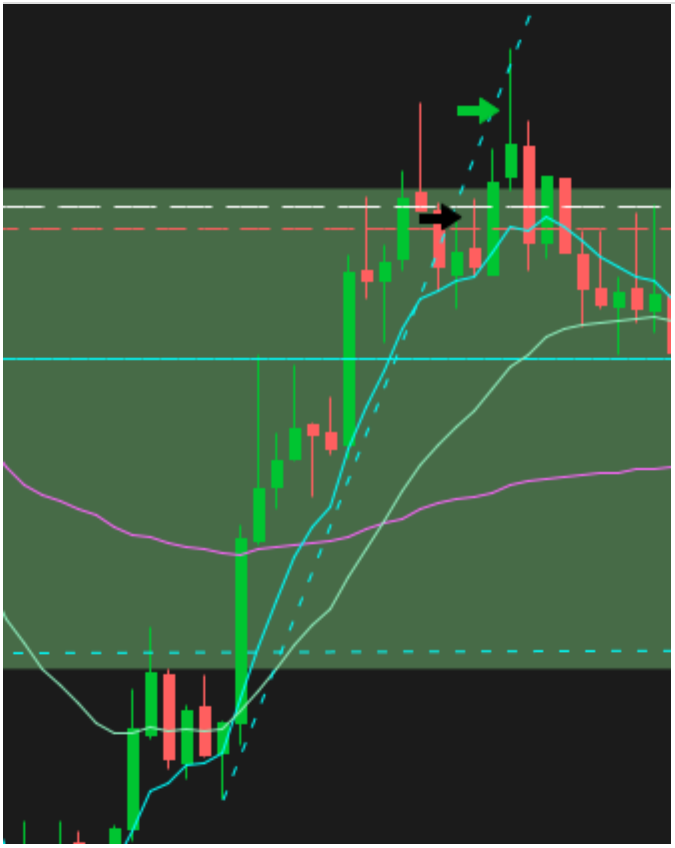


If I was paying more attention to where the 5 minute was at I wouldve seen that we broke the trend to the upside and once this happens there is just no reason to take a short continuation trade no matter the circumstance. Trend Trades do not work when the trend is broken on the 5 minute. This is a trade where I should be avoiding altogether every single time no matter the circumstance.

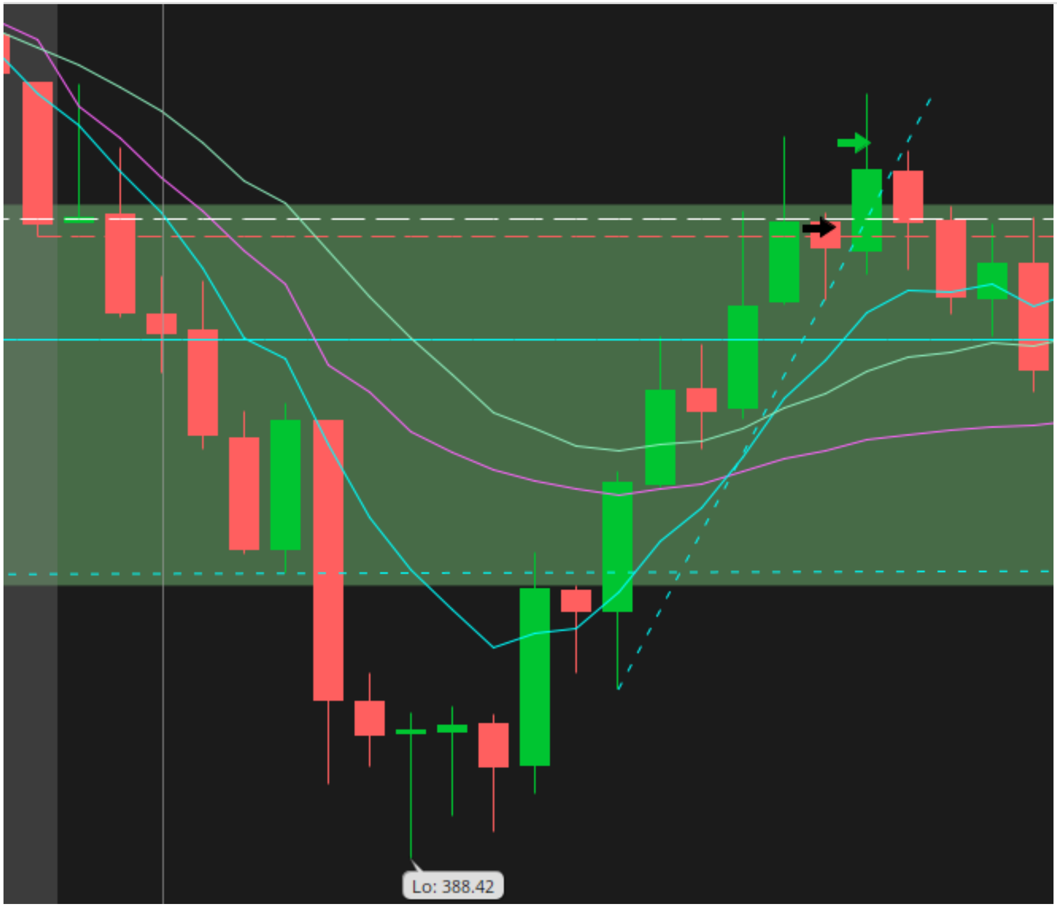
Trade Number 3: Short Trend Reversal

-This is a good example of why I took this trade just wayyyy too early because I was watching the 2 minute rather than waiting for the 5 minute to form.

-I too the break of the 2 minute trend to the upside and I drew the uptrend where the beginning of the reversal occured. For example:



-See how I drew the trendline on the 2 minute and it was clearly wayy to elevated and the angle is super strong so I shouldve known better that fakeouts to the upside were going to happen. These are easy fixes though. I shouldve used the 5 minute chart. For example:

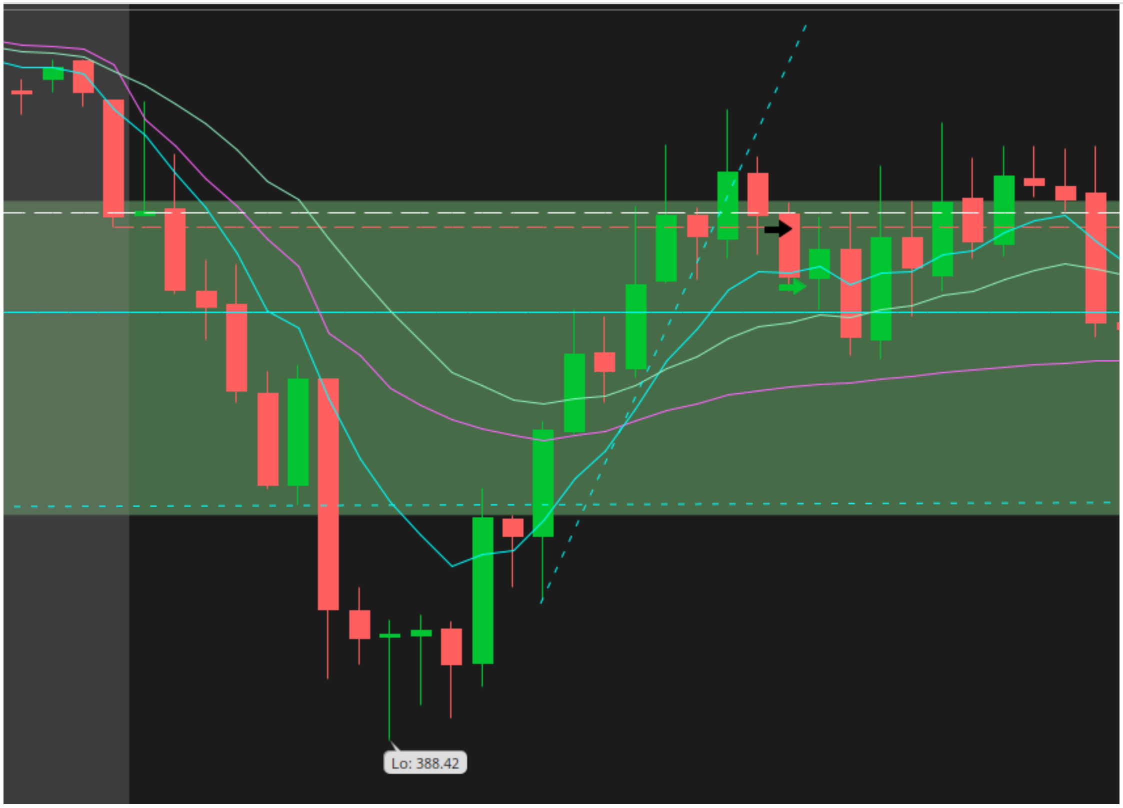


-The 5 minute paints a much clearer picture. I took the trade too early and the trend was not broken yet. On the 5 minute though I wouldve seen this and not taken this trade. See how the 5 minute broke then there was a horizontal retest of that line

- It wouldve been still very very close but if I took that retest entry and had my target and stops sitting at 50 cents on either side I wouldve been very close to stopping out but if I held for my targets I wouldve made my 50 cents

Mistake: Dont take trend reversals on the 2 minute chart. its much more difficult

Trade Number 4: Short Trend Reversal



-This is a clear and much better trade than any other trade I took on the day.

-I took the retest of the horzontal line when the 5 minute broke and I made about 40 dollars on this trade after being down about 110 from my first 3 trades.

- I really like this entry much more than the previous trade. Although I only made back what I lost on the last trade I am happy that I had the confidence to take this once I realized what I was doing wrong

Mistakes: None

Takeaways of the day:

I really need to start identifying what I am trying to do before I do it. Am I going for a trend continuation? Use the 2 minute and follow the Trend Continuation Rules. Am I going for a Trend Reversal? Use the 5 minute and follow the Rules. Something I am very happy about more than anything is that I kept my composure throughout the entire day. I took a pretty shitty loss that wouldve been a win on my first trade of the day If I wouldve just not been greedy and taken my full position at my target price. Then I took a pretty bad trade betting on the reversal way before I shouldve. I know that if that second trade worked I wouldve been happy but it wouldve taught my some bad rules. I really should not be taking trend reversals quickly after the initial 5 minute trend is broken. I know this will be very difficult and its very possible that I will try to take out one of these strategies depending on where the market is at and what the trends are doing on a bigger timeframe. I need to be able to identify when one will be better than the other and why. That is my next task. I am very happy about my attitude on the day though. Surprisingly I am happy even though I definitely took a hit today after only having an avg green day last week of 35 dollars and today i doubled that to 70 (after fees). I dont like that on my first red day in 1 week I made it bigger than almsot my entire last weeks profit. That is very bad but although it sucks I am still so fucking lucky to even have this opporunity and today I kept that at the forefront of my mind. I realize this sucks to start the week red on many avoidable things but the fact that I am sitting here for 2 hours right after taking a hit and studying why and how that happened means that I am learning and so long as i am learning and appreciative of these opportunities I am succeeding.

FAQ

What were the main mistakes made during the trades?

The main mistakes included breaking the rule of not giving into greed, taking trades too early, and not adhering to trend continuation rules.

How can I improve my trading strategy?

Improving your trading strategy involves sticking to your established rules, being aware of market trends, and using appropriate time frames for different types of trades.

What is the importance of emotional stability in trading?

Emotional stability is crucial in trading as it helps maintain discipline, prevents impulsive decisions, and allows for better adherence to trading strategies.

What should I do if I break my trading rules?

If you break your trading rules, analyze the situation to understand what went wrong, learn from your mistakes, and adjust your strategy to avoid repeating them.

How can I identify trend continuation versus trend reversal?

To identify trend continuation, use shorter time frames like the 2-minute chart, while for trend reversals, rely on longer time frames like the 5-minute chart to get a clearer picture.