



Day Trading Strategies for Stock and Forex Markets - Free PDF



As a day trader, price action volatility and the average daily range are critical to your success or failure.

A day trader is concerned with the price action characteristics of the security or particular [Forex pair](#) they are trading.

Investors are holding their position for far longer periods of time and are often looking at making sure the fundamentals of their trade are aligned.

In this post we look at day trading strategies you can use in the Forex and stock markets to get in out of trades quickly.

Day Trading for Beginners

Day trading is the buying and selling of a security within the Forex or stock markets designated hours.

Positions are closed before the market closes to secure your profits.

Day traders may also enter and exit multiple trades during a day trading session.

Day traders use high amounts of leverage using [trading strategies](#) to capitalize on small price movements in highly liquid stocks or currencies.

This means that even small movements in price can lead to big wins (and losses)

Stocks, currencies / Forex, options, and futures are the most commonly day traded financial instruments.

What are the Benefits of Being a Day Trader?

This is a question often asked by traders looking at different systems.

Will it benefit me? In what way?

Day trading can be a home-based business.

Day trading does not require any major infrastructure. There are no bosses or workers.

There are no special skills required and there are no tests that need to be passed.

You do however need a strategy and a solid level of knowledge if you want to be successful.

A major reason a lot of traders look at day trading is because the market can fall overnight. A lot of the risks of making large losses can be avoided if you are not holding your trades overnight or when away from your trading charts.

In day trading, you close your trade before the markets close to avoid a lot of the headaches.

Another major benefit is the amount of trading opportunities you get.

Because you are day trading you will be trading on smaller time frames. This will give you more trades and more chances to make potential profitable trades.

Forex Day Trading Strategies

Scalping Day Trading Strategy

[Scalping the markets](#) involves looking for very quick profits from small moves in the price action.

As a scalper volatility is your friend. The more volatile the markets are, the more price is moving and the more trades you can find to potentially make more profits.

When using scalping strategies you are trading in a similar way to other day trading strategies. You are looking to get in and out before the market closes or before you finish your trading session.

There are many different strategies you can use to 'scalp' the markets, but below we go through one in detail.

Example Scalping Day Trading Strategy

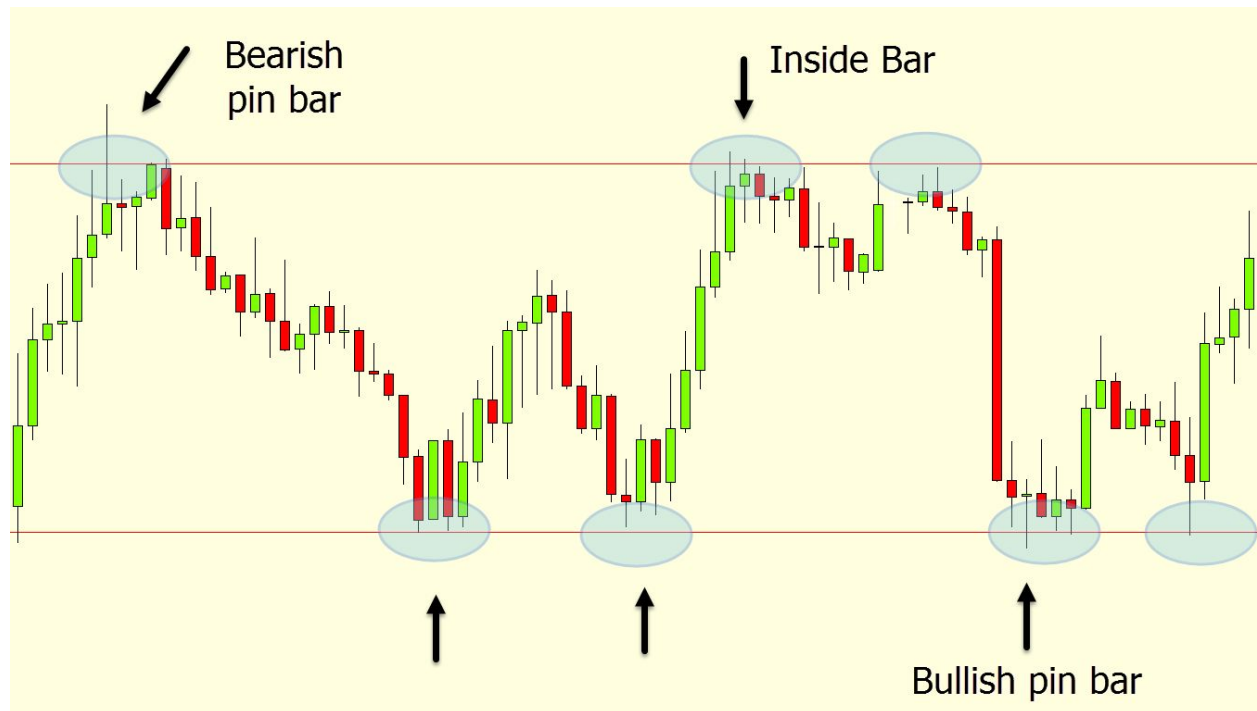
The best time frames to scalp the markets are the one minute to the 15 minute charts.

With this strategy you are looking for price action that has formed a clearly defined range.

As the chart example shows below; price has formed clear support and resistance areas and has been bouncing between both of these levels.

When price makes a new test of one of these levels we are then looking for a [Japanese Candlestick](#) entry signal.

In this example below; price forms a bearish pin bar and an inside bar at the resistance. Both of these could be used as potential candlestick entry signals to enter short.



Breakout Day Trading Strategy

Day trading breakouts is a riskier trading strategy that also comes with the potential for higher rewards.

When looking to make breakout trades on the smaller time frames like the one minute to 15 minute charts you run the risk that you will enter a lot of false breaks.

The flip side to this is that when you do find a trade that breaks out in your direction the breakout can be explosive and offer large rewards.

When looking for day trading breakout trades you could be using a number of different strategies. These include looking for trendlines, support or resistance levels or even moving averages to break.

Example of Intraday Breakout Trading Strategy

Below is an example of a breakout trade.

Price had repeatedly held at the support level bouncing back higher each time price tried to move lower.

Finally price broke below this level signalling a potential short trade.

Once the breakout was confirmed price rapidly moved lower as is often the case with confirmed breakout trades.



Day Trading Stocks

Moving Average Day Trading Strategy

Using moving averages is particularly popular when day trading the stock and indices markets.

Often moving averages will be used to define a trends strength or to find dynamic support or resistance.

Moving averages can also assist in finding high quality day trades.

To find trades using moving averages traders will often use what is termed the '[Golden Cross](#)' strategy.

This is where one moving average crosses above or below another moving average.

Example Moving Average Day Trading Strategy

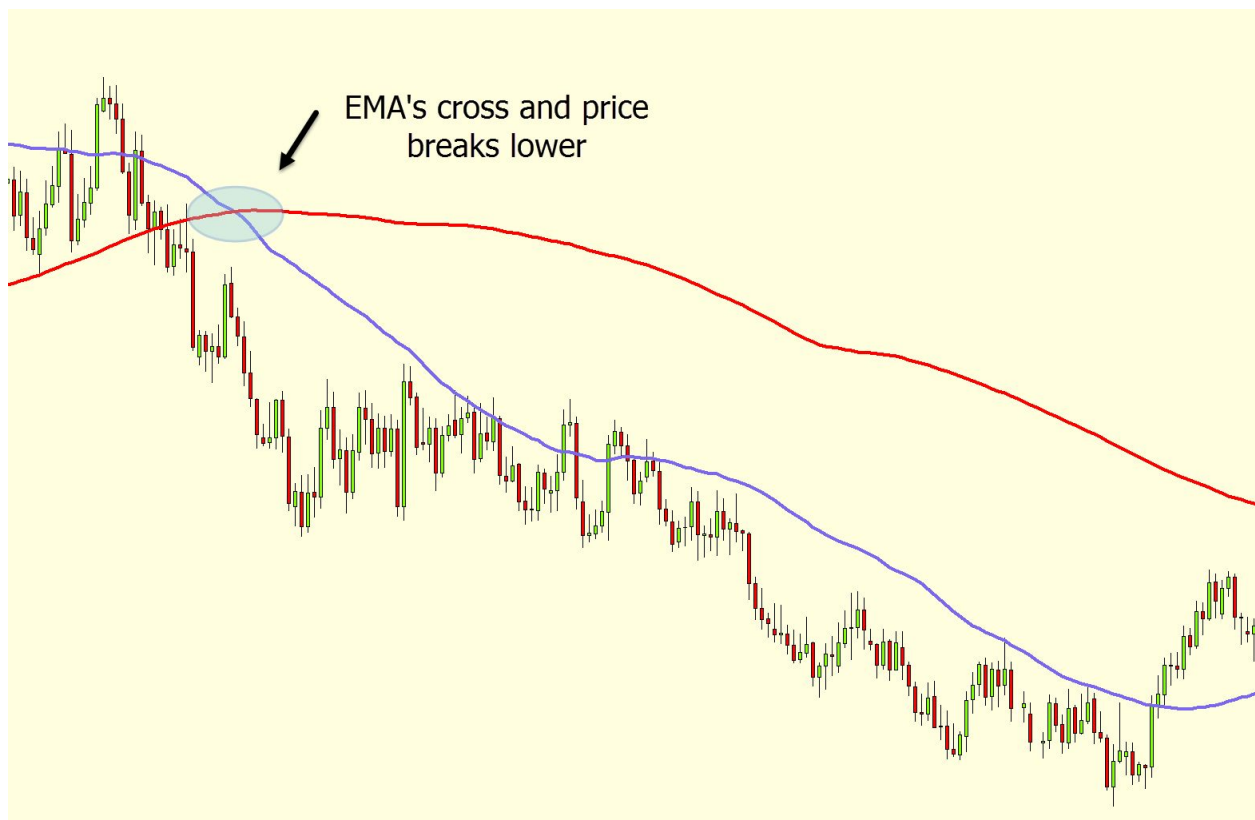
Using the golden cross we can find when the market is moving into a strong trending period. We can also see when the two moving averages become separated to gauge the strength of the trend.

The example chart below has a 50 EMA (exponential moving average) and 200 EMA plotted on its chart.

The 50 EMA reacts a lot faster than the 200 EMA and stays a lot closer to the current price action.

When we see the golden cross and widening of the two moving averages we can see the trend lower is strong and can begin looking for short trades inline with the trend.

Trades can then be found in conjunction with these moving averages. For example; we can use candlesticks, support and resistance or a number of other entry signals.



Trend Day Trading Strategy

One of the most popular day trading strategies for all markets is trend trading.

The reason for this is because when making trades inline with the current trend the potential rewards can be large as the trend continues in the trades favor.

Two common strategies to finding trends are the moving average as just discussed and [plotting trendlines](#).

Using trendlines involves finding a series of swing points that match up either in a trend higher or lower.

Example Day Trading Trends

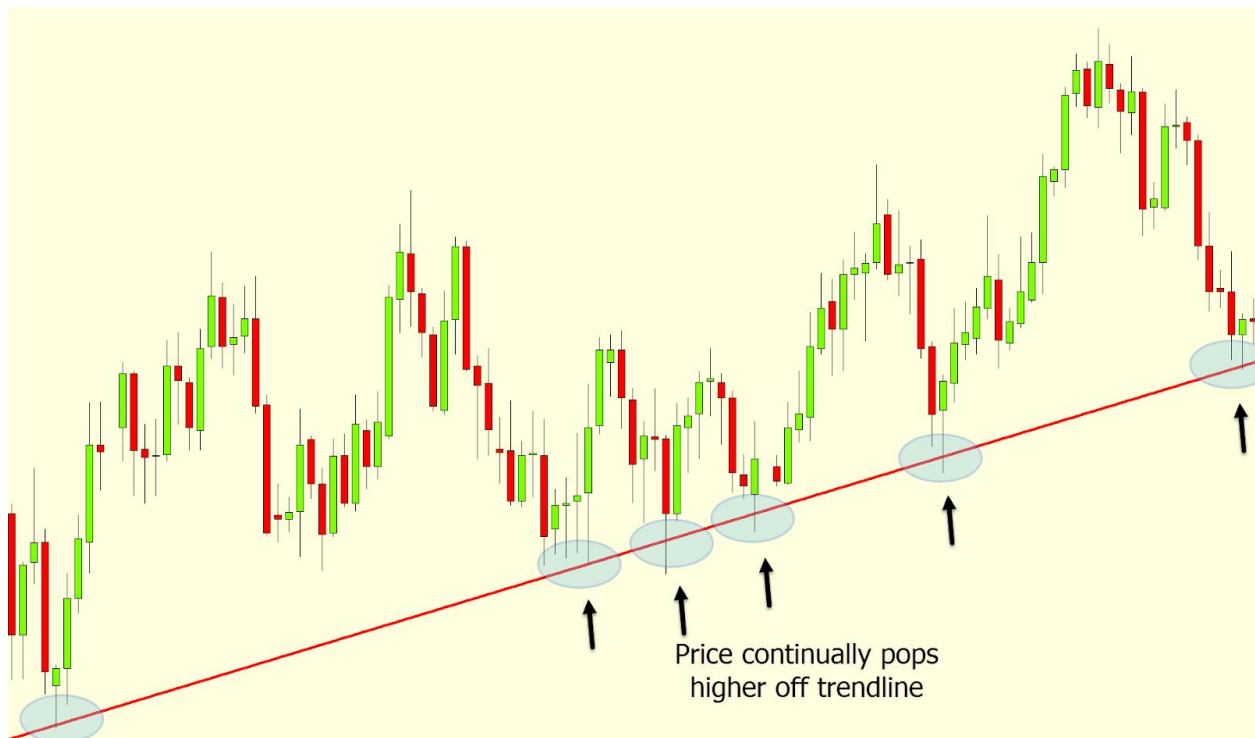
As the chart example shows below; price is making a solid trend higher.

As price moves higher it is also rotating lower before once again moving back inline with the trend higher.

These moves higher all line up to form a trendline.

This trendline could be plotted and used to find high quality long trades.

As with the other strategies, you can find entries using Japanese candlesticks, supply and demand or your other favorite indicators.



Lastly

As a day trader the market conditions you are trading in are crucial.

If you are trying to use a trend trading strategy when price is stuck in a tight range, then you will continually get stopped out.

It is important that you tailor each of your strategies to how the markets are currently moving.

It is also important you test any new strategies on [demo charts with virtual money](#) so you know they work, before you ever risk any real money.