

Benefits to Scalping

1. Abbreviated amount of market exposure – smaller risk associated with each trade
2. Reduced market exposure – most scalping trades last only minutes
3. Eliminates one of the major negatives of trading namely – the “gap/overnight manipulation” risk
4. Small price moves are more frequent than larger ones
5. Market conditions, no matter what they are, generally provide opportunities for successful scalping
6. You are able to take advantage of both sides of the market at any given time
7. Market psychology – Fear and Greed work in your favor

Disadvantages

1. Markets are fast moving and subject to erratic behavior, which is not conducive to smaller stops required when scalping
2. Requires you to be extremely disciplined to your trading plan
3. Mental focus and ability to ‘engage’ is a necessary skill
4. More trading means exacerbated cost factors: bid/offer spreads, broker commission and trading losses
5. It is not a ‘sexy’ way to trade the markets – you will not have ‘water cooler stories’

Recommendations

1. It all about EXECUTION ... you must know what you are planning on doing and then repeat it every day – you are a “Blue Collar” trader
2. Have a market directional bias; take long trades in a long bias, and conversely, take short trades in a short bias. (When the market is de-trending, what do I do ... stay tuned for a future blog)
3. Employ hard stops as an insurance policy – not as your downside exit
4. NEVER, NEVER, NEVER, NEVER, NEVER, NEVER increase your insurance stop or average into a losing position
5. Know when economics announcements are going to happen and give them room on either side
6. Don’t trade right at open or just before close of any market
7. Never hold a trade overnight
8. Have lightning fast and a rock solid internet connection
9. Understand the only thing in the market you control is your risk
10. Have defined entries but understand your EXIT is much more important
11. Have a trade/risk management strategy defined and one you can execute
12. Understand why you entered a trade, what you expect the trade to do and how you will react if it does not perform the way you expected
13. Maintain and have a positive mental attitude towards life and trading

Conclusion

Scalping is not homogeneous, nor is it for every trader; traders will use whatever technique works best for them. There is no right or wrong answer, the key is finding an advantage; create a plan from that advantage and then execute the plan with extreme prejudice.