

# 3 Trades a Day

When you get up every morning to go to work you know what hours your employer expects you to work. What about your favorite store. For me it's a toss up between Best Buy and Wegmans (I know a grocery store). Even though these two establishments would gladly take my money, they will only do it during business hours. The point I'm getting at is every business has a way they conduct their business. These range from hours of operations to product pricing. In this article we will cover a strategy where you only place 3 trades a day with a set profit target for each, so you can achieve the same level of structure Fortune 100 companies follow.

Trading is not an activity that requires an enormous amount of effort. If you like to constantly fight people in life, you will likely put on a lot of trades and make very little money. You on the other hand may be the constant dreamer, looking to hit it big (we also like to call this a classic gambler in certain circles). What if you turn down all of the noise in the market. When I say noise I mean the tips, indicators, complicated trading programs and even your own thoughts. Whether you are a breakout trader or automated system trader, it doesn't matter. The 3 trades a day strategy can work for any system.

## Why 3 Trades a Day?

It's an odd number, so you can quickly see whether you were able to pick more winners than losers on a given day. It allows you to put on enough trades over a one-month period to make some serious cash (see below). It provides you a clear point to which you need to halt all trading activity for the day. How many of you have experienced a flash of over trading? How much damage did you do to your account?

As a child I was an avid bowler. There was nothing better

than waking up every Saturday morning and going down to the bowling alley. The best part of it all is I knew I only had 3 balls per turn (duckpin bowling) and the maximum score I could bowl in any one game was 300. Every week my average was updated based on my 3-game set. So, I knew how well I had improved from the beginning of the bowling season at years end. Why in trading do you not measure yourself as closely as I measured my bowling when I was 9?

Lastly only placing 3 trades forces you to focus on your strategy. You will know before you place a trade that you only have 2 more you can open for the entire day. This will force you to be more critical of entering a new position. Remember, it should always be really hard for you to open a new position, but you should always quickly pull the trigger when profits present themselves.

## **Do you know how much you will make this month?**

In business, over time you begin to develop trends. As a retailer you will know your peak seasons as well as the average amount of sales you can expect to generate in a year. There may be some variations, but for the most part your actual results will be within a certain percentage of your baseline estimate. Traders on the other hand hate the idea of earnings targets. You want to feel that the market is limitless and there are no boundaries. This may trigger a lot of excitement, but let me share a different approach. Let's assume you have \$100,000 dollars to trade. If you are a fan of this blog you will know that you can use \$40,000 per trade. Now, assuming there are 20 trading days per month on average, if you place 3 trades per day, that gives a total of 60 possible trades. At this point it's just basic math. **In order to use the 3 trades a day strategy, you must have a set profit target and a clear stop loss level.** If you are a trader

who lives by touch and let's their profit runs and losses balloon, then this is not the strategy for you. Reason being, like bowling you need to know how many turns you have per month and what is your definition of a perfect score in order to rate yourself. Let's assume your system has a profit target of 1.5%. This would give you a potential profit of \$600. If you place every trade successfully this gives a high end profit target of \$36,000 for the month. Please do not just skim over this example because it appears simple. Ask yourself, do you have a earnings profit target for the month? Please don't consider the I want to make "x" amount as a real answer. Do you have a realistic blueprint for how much money you want to earn?

## Tracking your Results

Since you are now ready to treat day trading like a business, let's map out a mock trading month earnings target.

Earlier in the article we stated the target high range for the month was \$36,000. If making 36% return in one month is not enough for you, then please stop reading this article and book a one-way ticket to Las Vegas. Now that we have made that disclaimer, for the low end you will want to take a third of your high-end target. This leaves you with a total earnings potential range of \$12,000 – \$36,000. At the end of the month take your actual earnings and compare those against your target. So, let's say you earn \$20,000 for the month. \$20,000 would represent 55% of your target. Unlike school where a 55% is failing, this would be a passing grade for the 3 trades a day strategy. The bare bones of what you should shoot for is 50% of your high-end target each month. Since you are placing the same amount of trades every month, like my bowling average as a kid, you need to start tracking your percentage every month. If you are able to stay above 50%, welcome to the club, if you are able to stay on average above 75% over a 12-month period you are a master trader.

In summary the 3 trades a day system forces you to box in your trading activity. This provides you a clear measurement of how to track your performance so you don't fall victim to the greed and plethora of opportunities the market presents on a daily basis. If you don't believe over trading is a problem, perform this simple analysis. Look at your trades over the last year. I guarantee you will see some sort of trend. For some of you your profits may come in the morning. Others your profits may pickup after 2pm. Making money in the market is not about sheer effort, but more about seizing the right opportunities and knowing when to quit when you are ahead.