Scalping
Education

SCALPING MANUAL

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Introduction

Scalping is a form of trading intended for staying in the market as little as possible, trying to get even a small profit per trade and to control risk the best we can. It is an approach that favors the concentration on the present time in order to understand what the instrument we are trading is doing right now. The focus on the actual time tends to limit our tendency of making predictions on what the market will be doing in the future, which is something nobody knows.

Scalping does not mean necessarily to trade a lot because even a limited number of good trades can be sufficient for closing a work session with a decent profit and satisfaction. It means to find good trading opportunities that can have a high probability of success and repeat these trades whenever there is the chance to do it.

Reducing risk and controlling losses are the most difficult aspects of trading and scalping is no exception. Each time we enter the market, we should always remember that we may be wrong in the decision we made or the market, for whatever reasons, may behave differently than before. When we are involved in a trade, we can only adapt to what the market is doing. If, setting low-profit targets, we may have a high number of winners, we should never forget that, letting our losses run, with only one or few bad trades, we can wipe out all the profits we were able to make and we have to avoid, as much as we can, this situation from happening.

Trading and scalping are not about being right, but about making money. A big personal ego who, no matter what, thinks he cannot make mistakes and always wants to be correct can be detrimental to our trading performances. Confidence in our trading strategy and in our ability to be profitable in the markets, though, is an essential psychological element very much needed in trading as in any other activity. We should try to make the right trading decisions most of the time, but, as traders and persons, we will make many mistakes and we should try to reduce the effects of our errors so that they will not have a strong impact on our profits.

Trading is a practical activity that requires time to watch the markets and try out actions. It is not about doing complicated analyses or developing sophisticated theories on the behavior of the financial instruments. It is an activity we learn by doing and from both our successes and our failures.

Trading means assuming responsibility for our decisions and for the consequences of our acts. This is also the reason why it is better to always adjust trading ideas and strategies to our personal style so that they will become effectively our own. When we trade, we are alone confronting the markets. The possibility of being profitable depends only on our abilities to read the market correctly and react accurately to what is happening. If we fail, there is no one to blame, but ourselves.

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Conclusions

In trading, we need to be humble. We should approach the market with determination, confidence, and the clear objective of being profitable, but we always need to remember that each time we trade we may find ourselves dealing with a losing position and we must know what to do and behave in the best possible way to close our trade with a profit or, at most, with a limited loss. There is no certainty in trading and we need to accept whatever it may come, reacting to the situation we face the best we can.

We should know the instrument we trade and how it behaves during a trading session and we should be aware of the major economic data releases that can have a huge impact on the movements of the markets. When we trade, we can never relax or find ourselves unprepared to whatever may come. We have to stay always focused.

Trading requires patience and discipline. We should feel no pressure to trade when the conditions we are waiting for do not appear. We have to trade only when all the elements of our setup are present and when we feel confident in our trading decision.

We need to spend some time creating our own trading strategy. We may learn from others, but, at the end, we cannot just replicate another person's way of trading and, through knowledge and experience, we have to construct our own personal rules to deal with the markets. We should know and feel that we are the ones who created the strategy we use because only in this way we could be really responsible for our actions.

Trading successfully is difficult. There are so many players involved in the markets and the situations we have to deal with can always be somehow different from the previous ones we encountered. Traders make up the market and their behaviors can be unpredictable and conflicting. Our best chance of staying afloat is to try to make as fewer predictions as possible and just react to the present conditions with a strong belief in our abilities and in the tools we use.