

Wiley Trading Series

DAY TRADING STOCKS

THE
**WALL STREET
WAY**

A PROPRIETARY METHOD FOR INTRA-DAY AND SWING TRADING

JOSH DIPIETRO

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DAY TRADING STOCKS THE WALL STREET WAY

**A Proprietary Method for Intra-Day
and Swing Trading**

Josh DiPietro

WILEY

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Author's Note

Caution!

Alone, this manual will *not* adequately teach you my intra-day trading and swing methodology. Your mastery of my system will only come about through formal hands-on training.

Much of what you'll find in this sequel is material from my training manual. Graduates of my program will tell you that there's much more to learning my system than reading text or looking at one-dimensional charts.

As with any other line of work, mastery requires your guidance for weeks, if not months, by a veteran. If you think you can simply read about a method and then apply it to real markets with success, then you're in for an ugly shock. I say this because I've made that mistake, and I don't want it to happen to you.

In my first book, *The Truth About Day Trading Stocks*, I discuss the harsh realities of applying a new method without any hands-on training. Whether you're a greenhorn or you've been trading the markets for 20+ years, getting the gist of any real day trading system demands more than just reading a book or watching a few day trading webinars or seminars.

So I repeat: don't attempt to trade any of the procedures and/or rules mapped out in this book. This is only a framework meant to give you an idea of what's ahead. This is the map, not the road.

My goal here is to show you what my system can do for you, and also how much is involved. *This system is not easy. This book is not a how-to.* This book is your

introduction. It's meant to reveal why my training program lasts for one full year. As with any real trading system, applications and real-world procedures come into play as you develop your competency. This requires weeks of hands-on training with a real day trading coach.

Do not attempt to trade with this system without formal training from me.

Do Not Read Out of Order!

I specifically designed this book to read as a technical manual. All material is critical to read in order, starting with the Cautions page. If you do read out of order and jump to certain sections, you will only make the material that much harder for yourself to fully digest. So please start reading from here and enjoy!

Three Essential Prerequisites

1. Don't perceive day trading as a quick alternative to make fast cash. You go into this as you would in any serious attempt to take the time and make the effort to learn a real profession.
2. If you're planning to trade fulltime, you need to acquire a *pay-per-share* broker. This is a broker who charges *no more* than \$1.00 per 100-share block trade.

(*Note: If you're only planning to trade part-time, and you'll be focusing on swing trades that produce more profit potential than intra-day trades, then most pay-per-trade brokers will suffice. You don't have to consider changing online brokers until you've been formally trained.*)
3. You do not need to open or fund a live account while training with Day Trader Josh. Once you begin to real-trade, however, you will need a minimum starting balance of 25K.

This amount is a bylaw imposed by the SEC. When you're intra-day trading stocks, and you're placing more than four roundtrip trades in any five-day rolling period, you're considered a *pattern day trader*. As such you must fund your account with no less than 25K. If your balance falls below that amount, you get hit with an *equity call*. This means you can't trade on margin or pattern day trade until you deposit enough funds to return your balance to 25K.

You do not need to open or fund a live account while training with Day Trader Josh.

Introduction

If you've read my first book, *The Truth About Day Trading Stocks*, then you're well-prepared for this new, more technical application of my trading methodology. Before you get started, all you'll need is awareness of the updates and modifications that have been added since 2008, and that vital information is here.

For those who haven't read *The Truth About Day Trading Stocks*, I recap the book's major lessons in the first part of this book.

I designed this second book specifically to disclose my proprietary applications to intra-day trading stocks and swing trading stocks (equities). I have been trading since 1998, but I learned most of the applications here while trading on private equity floors near Wall Street. After I disengaged from private equity trading floors I began my own unique system that works for the relatively lower-capitalized independent day trader. After eight years of testing and trading with a high rate of success, I finally designed my own highly transparent trading system.

In this book I show you precisely how I trade stocks by using both intra-day and swing strategies, and most importantly, by using their *fusion*. You will be introduced in [Part 4](#) to my new term, *Fusion Trading*.

What is *Fusion Trading*? Think about it: you can't place an intra-day trade without knowing where your swing levels are. Conversely, you can't place swing trades without considering your intra-day levels. That interconnection is the core of my system and the secret to the Wall Street price levels: no guesswork, no indicators—nothing but *real*

price levels. Your challenge is to know which price levels work best for you, and how many shares at each level.

You may be tempted to apply what you learn here to live trades. That would be a huge mistake. Just reading about the system will not make you ready to use it. My goal here is to have you digest the information and see the potential for success, a potential that can't be realized until after I've formally trained you.

This system is not easy to learn. That's why this system works.

The importance of hands-on training can't be overstated. As a survivor of life-shattering Crash & Burn, I am one trading mentor who cares whether you profit or plummet. I was once a victim of those big-box training programs that gouge your credit card, herd you in like underfed cattle, corral you for a couple of days, and then throw you to the wolves of Wall Street.

That won't happen here.

In [Part 1](#), I address the permanent, ironclad focal points of *The Truth About Day Trading Stocks*. You'll find instructions that must be hardwired into your trading psychology. These are prerequisites to learning the framework of my intricate current system. Hundreds of rules and procedures must be followed to the T.

The biggest potential for disaster is real, live trading with only the framework learned here. Don't be that guy who tries one portion, say 1 percent of my system, loses money, and then posts online that my system doesn't work. I know that guy exists and I'm trying to prevent you from becoming another one. I do care about the outcome for anyone who is trading my system.

In [Part 2](#), I introduce you to *only* the intra-day portion of the system. It's critical that you start with intra-day, because you need to get in rhythm with your stock on that basis. I show you which level to trade, and why. You'll learn several procedures and the *mechanics* of intra-day trading. You'll learn why it's crucial to not assume that you can trade the intra-day rules and strategies without knowing the swing trading system, and without knowing how to fuse them.

In [Part 3](#), you'll learn the core swing trading methodology. Again, you'll see why you can't use one strategy without thoroughly knowing the other. The fusion of both is shown later.

In [Part 4](#), you will be introduced to Fusion Trading. I show examples of several trade setups that illustrate how important it is to know both intra-day and swing trade strategies. You'll find that you have several options, such as intra-day trading only, swing trading only, or intra-day trading and swing trading on the same day.

In [Part 5](#), I offer several advanced rules and procedures. One is what I call *pivot trading*. I use this method to recapture any incremental losses in one single trading day due to a stop-loss exit on a portion of my overall position. I show you how, at the very next trading session, I get right back in at the same level or better.

In this part I also show you what I call *trading from the sidelines*. In essence this is when you have a predetermined entry price in mind, but for whatever reason you missed the entry, and then the price goes lower or higher in your favor. What do you do? I demonstrate several scenarios and options.

The most risky time of year to trade, especially when you're not formally trained, is earnings season. Four times a year,

your stock exhibits extreme volatility. I have several strategies and procedures that can help you capitalize on huge runs, earning far more than the normal day-to-day swing trade. I also establish rules that keep you safe and on the sidelines.

In [Part 6](#), I demonstrate several examples of how you can easily screw this system up by throwing certain rules out the window. My main goal in this part is to drive the point home that this system takes weeks if not months of training with me before you are ready to go live. If it were up to me and not my editors, I would title this part: *The Guy Who Thought He Could Trade This System without Being Formally Trained*.

Sorry, I remember my own foolishness, so I know it has to be said.

This part is an eye-opener. I show that there are so many variables that it's suicide to apply this system in static mode, meaning, you can't apply certain rules across the board; certain situations require different actions, and you have to change price levels in real-time.

This part gets into what I call the *poor training factor*: applying what you can't learn on paper after only having tried it on paper. Even trainees in my one-year program still make mistakes, so you can just imagine how much trouble you'll get into without any hands-on experience. Those mistakes are mapped in this part. They are a gory sight.

In [Part 6](#), I show you the differences between a bogus trading room and a trading room that actually shows *all* entry levels *before* they hit. Most importantly, you'll see the danger of following a trading room when you haven't yet mastered the system. For instance, just because I'm entering at a certain price level and a certain amount of

shares does *not* mean that you should do likewise at that exact time. This takes much explaining to make sense. After [Part 6](#), you'll understand.

I also show you screenshots of my own trading room and explain how it works and what to expect when you're using it to trade my system.

Also in [Part 6](#) you get a sneak peak at my training program and how it works. You may have a gazillion questions. I address them in this section, and I repeat that the material here can't prepare you for live trading, and I show how my one-on-one training program does.

The only true way to get your questions and concerns answered is mentorship from a day trading veteran. Again, this book is not designed to prepare you to start applying my system with real money. It offers you a look at the framework.

Changes and Updates Since My First Book (2008)

Any viable day trading system must be updated and adapted to market trends and changes in rules and/or regulations. Since 2008, when I published *The Truth About Day Trading Stocks*, we've seen the biggest bull market in history. This combined with the proliferation of high-frequency trading systems and the virtually zero-interest-rate FED policy has created more volume in the stock market than ever before. Due to high volume and liquidity, stocks have been moving much faster. Because of those factors, I no longer trade primarily the smaller intra-day setups, as I did in 2008. I've been compelled to orient my system more toward swing positions.

This *does not* mean that you, as a beginner, should *not* be trading intra-day levels. In this book as well as my training program, I instruct you to start *only* with intra-day levels. I have you observe the strongest levels, but for the time being, do nothing more than watch. The main reason for this is safety. You won't be holding intra-day positions overnight. It makes no sense to do so and it's way too risky.

Even under my coaching, and especially when you first go live, I'll have you trading only intra-day setups. Eventually you'll graduate to riskier yet more profitable swing trades; meanwhile, you should only take baby steps.

Because I've altered my system, and because of the higher price levels on the type of stocks I now look for, I've increased my stock price criterion to a minimum of \$100 and a maximum of \$250. I elaborate on this later.

High-frequency trading systems have basically taken over Wall Street. For the small guys, this means the intra-day levels are not as dependable as before. By “small guys” I

mean the average novice trader. You have to be more conservative now and the levels you pick more extreme.

Unless you have your own trading group and black box (high-frequency trading computer with direct access to Level 2 quotes and powerful trading software), and millions, if not billions, of dollars, then you have to tread very carefully when trading in this new market. This is why I invented the *Fusion*. This is the trading of strong swing levels in conjunction with the strong intra-day levels. It's much safer to trade this way now. I still trade off intra-day levels, but what I use now are very defined and strong intra-day levels. I no longer trade “intermediate” intra-day levels. Those are the newly forming levels that are created *between the intra-day high and low* on any given day. Those levels simply are not dependable anymore—they are very risky to trade.

Changes and Updates Summary

- Now I primarily swing trade—*Fusion Trade*.
- My new system works *only* when trading stocks between \$100 and \$250.
- I can now hold positions overnight, but *only* if I'm in a swing trade.
- I allow profits to run for at least \$1.50—in some cases \$5+.
- I now trade the day after earnings, off earnings price levels.
- My training program has grown from two weeks to one full year.
- I now offer “Golden Rules” for intra-day setups.

The Breakdown

- Now I primarily swing trade.

This is by far the most fundamental change to my system. I started swing trading when I realized that the normal intra-day levels are no longer dependable with my established three-tier setups system. I do still use that system, but now I only utilize specific price levels. This will be explained in the intra-day part of this book.

In *The Truth About Day Trading Stocks*, I stress the importance of not *holding* overnight. I state this at least 50 times. For the beginner, that rule remains ironclad. If you're new to this system, you won't be holding overnight until you learn the swing portion. Only swing trades can be handled that way, and only if the price levels and rules in my system dictate that you can do so.

I've also found that once you know your swing level, you can start intra-day trading whenever you're within *roughly* \$3 of it. I explain that in detail later on. What I want to clarify now is that, while swing trading has become the more profitable and dependable price level to trade, intra-day trading remains a good strategy while you wait for the stronger swing trades to hit. I started using both systems because I found how much they complement each other. As a matter of fact, they're interdependent. Here's how: you need to know your intra-day levels in order to get a precision swing entry, and you need to know your swing levels in order to pick your proper intra-day levels. Separating the two is like the blind leading the blind.

The thing to keep in mind is that swing trading is the most advanced part of my current system. As a beginner, you should only intra-day trade until you have more expertise. You'll make very little in profits, and you'll run the risk of

having to stop-loss at the close, but I'd rather have you safe than sorry, and not holding overnight, until you master my system.

Mastery means you're swing trading, or what I like to call *Fusion Trading*. I introduce you to my full system in [Part 4](#), which details my new and time-tested Fusion Trading system.

- My new system works *only* when trading stocks between \$100 and \$250.

As I mentioned previously, the bull market has pushed most of the stocks that work with my system to well above \$100. Therefore, I've had to adjust it to work with higher-priced stocks between \$100 and \$250. In *The Truth About Day Trading Stocks*, I stress the importance of starting with \$10 stocks and working your way up to \$50, then \$100. This is for intra-day trading only, and *only* for practicing when demo trading. (Even in that original training program I was using \$100 stocks, but that was because I knew how to trade them. The entire theme of my first book is about keeping you safe with low risk as you learn, especially if you're not under my mentorship.)

I get this question all the time from traders who are reading my first book: "Does your system still work with \$10 stocks?" I always respond that it has never worked, not unless you *like* waiting all day for a 15-cent profit (\$15). Some third-world citizens earn more than that in one day!

Think about it. Low-priced stocks only have intra-day price ranges of 10 cents to at most \$1. You would not make much at all if trading this system with stocks priced under \$100. Not to mention you would need to trade more than 100 shares on each position, thus driving your pay-per-share commission through the roof. Again, teaching trainees to trade with \$10 stocks is only for training purposes.

The most consistently traded stocks are priced in the \$100–\$250 range. We day traders know consistency is everything. If you're ever queried about this, here's a good way to respond: “We need stocks over \$100 simply because they move fast and have high volume, and most importantly, because they're very liquid. And we don't want stocks over \$250, because they move too fast and take up way too much of our capital.” During the stock-picking portion of this book, I pinpoint the stocks in that range.

- I can now hold positions overnight *only* if I'm in a swing trade.

As I've mentioned before, *holding* overnight was a huge no-no when I started coaching intra-day trading. The term *intra-day* says it all: those newly formed levels are meant to *only* last that day. The only safe exceptions are the levels that have formed on a *daily* chart, meaning previously established levels that have held for several days to form strong support and resistance price levels. Those strong levels are proven pivot points that under certain circumstances can be held overnight for a profit the next day or even further out.

I can't tell you how many times I've had graduates of my original training program contact me while tearing their hair out, wondering what to do next, after they've held weak intra-day position trades overnight. Here's what I always say:

Stop-loss now—you screwed up! Bite the bullet and don't *ever* do that again.

If any of you who have done that are reading this, you know you broke the Golden Rule of intra-day trading. Hopefully by now you can look back and laugh.

But here's the thing. If you learn to apply my new system, entering at a well-established *swing* price, then the Rule no longer applies. Those levels are much stronger than an intra-day level and in many cases *should* be held overnight.

Yes, with my upgraded system, you do the forbidden: you *hold overnight*. You just have to know when you can, and I clarify this later. Meanwhile, I can't say it enough: *this new book is only the framework*. You don't want to attempt my new system with real money until I've formally and properly coached you.

- I allow trades to run for at least \$1.50 in profits per 100 shares—in some cases \$5.00+.

This update is pretty straightforward. I reemphasize that the \$1.50 minimum profit on a trade only pertains to a swing position. Again, only swing trades can profit more than 15 cents per trade. The new swing levels you'll see in this framework will be extremely strong levels, enabling you to sensibly take more profits. In certain cases \$5+ can be a profit. For instance, trading strong levels *after* earnings release can be very lucrative.

When I mention huge gains it's exciting, but if you don't use this system properly—don't have it taught to you properly—you can easily lose \$5+ on the trade, and then you have to stop-loss because you picked the wrong levels at the wrong time and had the wrong amount of shares. It took me years to learn when to take more or less profits, and how many shares at certain levels. So many variables come into play. I chart the majority of them in this book, but it's up to you to remember that this is just the map, not the road.

- I now trade the day after earnings, off earnings price levels.

If you don't have a solid trading system in place, and you don't stick to your rules, then earnings release dates are by far the most dangerous times to be trading. Though I have an established system for trading during earnings season, my new swing system allows for you to enter a trade the day *after* an earnings release. Yes, I wait till Wall Street decides what the highest and lowest price will hit just after earnings release, and then I trade off those price levels the next day. This is the only time you can capitalize on much larger profit runs.

Of course, I can only show the framework here, with only one example, and that's like showing aliens a human and saying every human is its clone. The point is: each stock trades differently and at different speeds, so you really have to know your stock if you're out there trading off earnings.

Accordingly, here's one part of the Golden Rule that hasn't changed, and never will:

I never hold a position overnight into earnings release.

- My training program has grown from two weeks to one full year.

Because the most risky time to trade is earnings season, I decided that the best way to help you master my system is to have you remain in my program for an entire year. That way you receive four real-world experiences with earnings release dates. Whether you're trading one stock or ten, you need my coaching during these four periods each year. Without a doubt, earnings season is the most active time in the markets. Even my graduates still struggle with getting this period correct.

Many of you have already been under my training, some in my initial two-week program, then in my four-week program, and finally in the six-week program that covers the entire core training. In the past I've offered to coach for a whole year, and found that most traders either don't want to pay my tuition fee or simply believe they've learned enough to do it on their own. The truth, however, is that the longer my trainees remain with me, the better they tend to do. Most graduates who haven't stayed under my wing are likely not doing so well. I've surveyed several and found that two common denominators have led to their downfall: (1) earnings season wiped them out, and/or (2) they threw half my rules out the window.

When trading under my watch, you don't make those mistakes, not without my literally yelling at you to stop. And now that my program lasts much longer, you have months to gain skills under my supervision. Mastery of this system comes with months of live trading while watching my trading rooms and questioning me in real time on setups—both entries and exits. There is no fast-track formal training.

Do lawyers squeeze their training into measly four-week courses and then take on murder trials? Law school takes three years for a reason.

- I offer Golden Rules for intra-day setups

I will be explaining the new Golden Rules in [Part 2](#). Essentially, these short and easy-to-remember directives will keep you in a trade until it profits, or will keep you out and safe on the sidelines.