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# What Is Day Trading? Trade in the Direction of the Trend & Against It

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In **day trading**, traders use **technical analysis** through various methods, such as **ICT style** and **RTM style** (Read The Market), to analyze **price movements**, open and close their positions within the same day.



How does day trading work? Closing trades before the end of the trading day

**Day trading** opportunities appear quickly on the chart and vanish just as **rapidly**. For this reason, the trader's **reaction speed** is extremely important in this method.

## What Is Day Trading?

**Day trading** refers to trades in which **both entry and exit occur within a single trading day**. Therefore, the goal of **day trading** is to make a profit from the **daily price fluctuations** of a trading instrument.

Day trading is primarily executed using **technical analysis**, and the influence of **fundamental analysis** is less **significant** in this style. Additionally, day trading is more **suitable** for individuals who have **enough time** to **analyze** and **manage trades** throughout the day.

## Advantages and Disadvantages of Day Trading

Due to the use of **leverage** in day trading, the level of price volatility and the number of trading **opportunities** are greater than in other **trading styles**. However, this also leads to an **increase in risk**. The table below, outlines the advantages and disadvantages of day trading:

Advantages	Disadvantages
Ability to evaluate daily performance	Requires more capital
More frequent trading opportunities	Higher risk compared to long-term trading
Possibility to withdraw profits daily	Requires a high level of experience
Greater experience due to a high number of trades	Time-consuming
Minimal impact from news events	Requires emotional discipline
No concerns about holding trades overnight	Increased costs and commissions due to trade volume

## Types of Day Trading Methods

In day trading, the **main price** trend is typically determined at the **beginning** of the day. Then, trades are **executed** based on the **dominant direction** throughout the rest of the day. Therefore, trades can be conducted **with or against the trend**.

## Types of day trading methods



Day trading is executed using methods such as trend-following and counter-trend strategies

### Trading in the Direction of the Trend

In this method, the main direction of the day is first identified on the **higher timeframe**, and **entry points** in the **same direction** are identified on the **lower timeframe**. Since the trade aligns with the trend, the **risk of loss is reduced** in this method.

### Trading Against the Trend

In this method, after identifying the main price trend, the trader waits for a **counter-trend opportunity**. The goal is to detect the **end of an existing trend** and enter at the **start of a new trend**.

Although the risk is **higher** in this method, if successful, the trader can gain substantial profits. Moreover, this method requires a **high level of trading experience** and a **deep understanding of price behavior**.

### Range-Bound Trading

In this method, based on recent price reactions and the study of **price patterns**, the **chart highs and lows** are identified, and trades are executed accordingly. For instance, when the price reaches a high, a **sell trade** is executed; when it reaches a low, a **buy trade** is made.

This method heavily utilizes **limit orders** and **stop-loss orders**.

## Breakout Trading

In this method, key **price levels** such as **support and resistance zones** are identified by analyzing past market behavior. The trader then waits for the price to **reach** these zones.

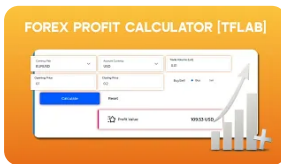
Upon reaching one of these areas, and using **various price patterns** such as **classic Patterns**, a trade is executed **in the direction of the breakout**.

## News-Based Trading

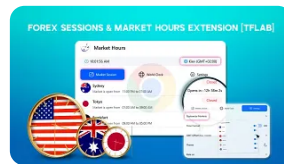
In this method, there is **less focus on chart behavior** and more emphasis on **news and economic data**. Therefore, success in this method requires a **deep understanding of the market** being traded and **access to strong news sources**.

Important news events rarely occur during normal market conditions. Also, such news is often **priced in** before its release.

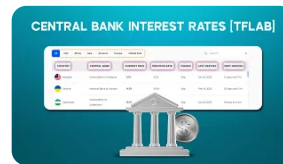
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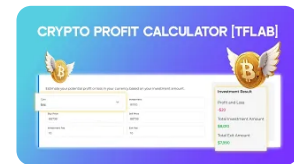
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## Day Trading vs. Swing Trading

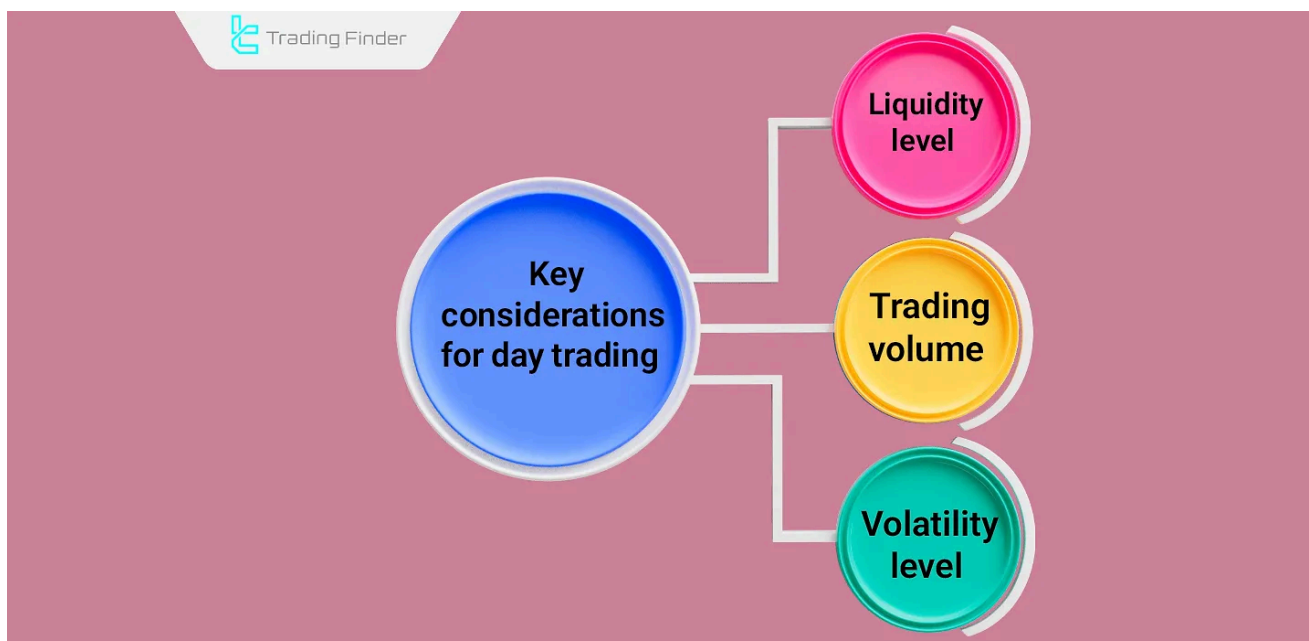
The key difference between these two trading strategies is the **duration of the trades**. In **day trading**, positions are opened and closed within the same day, whereas in **swing trading**, trades may remain open for several days.

Feature	Swing Trading	Day Trading
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Trade Duration	From 2 days to several weeks	Maximum of one trading day
Time Commitment	Up to a few hours per day	Requires constant monitoring throughout the day
Number of Trades	Relatively low	One to several trades per day
Importance of Speed	Less important compared to other factors	Extremely important
Capital Requirement	Moderate capital to start	High capital needed due to frequent trading

## Important Points for Day Trading

Given that the aim of **day trading** is to benefit from **short-term price volatility**, several key factors such as **liquidity**, **volatility**, and **trading volume** of the asset must be analyzed.



In day trading, the liquidity level of the asset is highly important

## Liquidity

Due to the importance of **speed** in day trading, the asset's **liquidity level** must be evaluated. One helpful **indicator** is the **spread** (the difference between bid and ask prices). The **lower** the spread, the **higher** the liquidity of the asset.

## Trading Volume

Trading volume affects various features of the asset such as **execution speed** and **technical analysis reliability**. The higher the volume, the more suitable the asset is for **day trading**.

## Price Volatility

In day trading, the **number of trades is high**, and assets with low volatility do not provide enough **entry points**. Therefore, the **daily volatility** of an asset should be reviewed before trading.

Volatility directly influences the **number and size of trades** and also impacts how **analyzable** the chart is.

## Ways to Reduce Day Trading Risks

Day trading is more suitable for **experienced and skilled individuals** who can analyze price trends effectively. However, even then, day trading comes with its **own risks**.

To reduce the risks of day trading, it is essential to observe several practices such as keeping a **trading journal**, setting **daily profit and loss limits**, and more.



Keeping a journal shows how day trading works and helps improve its success rate

- ⚡ **Design a Detailed Trading Plan:** Outline all **possible reactions** to in-trade events before entering the market and starting your activity;
- ⚡ **Keep a Daily Trading Journal:** Record all **actions** along with the reasons behind them to analyze and optimize your trading strategy;
- ⚡ **Set Daily Profit and Loss Limits:** Define a maximum profit and loss for each day to prevent **overtrading**.

## Conclusion

**Day trading** is a strategy in which trades are opened and closed within the same day, and the outcome is finalized by the end of the trading session. The **main price direction** is identified early in the day, and trades are executed accordingly.

Day trading strategies are **mostly based on technical analysis**, and **fundamental analysis** plays a minimal role in this style.

## FAQs

What is day trading?



A specific strategy where all trades are executed and closed within the same day—this is known as **day trading**.

What type of analysis is primarily used in day trading? ∨

This strategy primarily relies on **technical analysis**, with **fundamental analysis** being less emphasized.

What is the role of fundamental analysis in day trading? ∨

Fundamental analysis is used during economic data releases but generally plays a **limited role** in **day trading**.

What is the main advantage of day trading? ∨

The key benefit is the **high number of trades** and the **ability to withdraw daily profits**.

What are the main disadvantages of day trading? ∨


Day trading requires **significant capital** and **ample time** for constant monitoring.


What is the key difference between day trading and swing trading? ∨


The difference lies in the **duration and frequency of trades**. **Swing trading** involves **fewer, longer trades**, while **day trading** includes **more, shorter trades**.

What methods can reduce the risk of day trading? ∨

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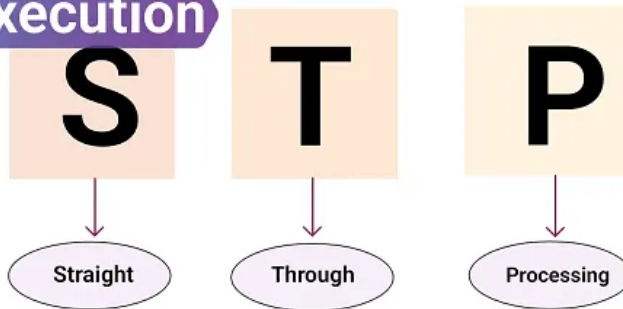
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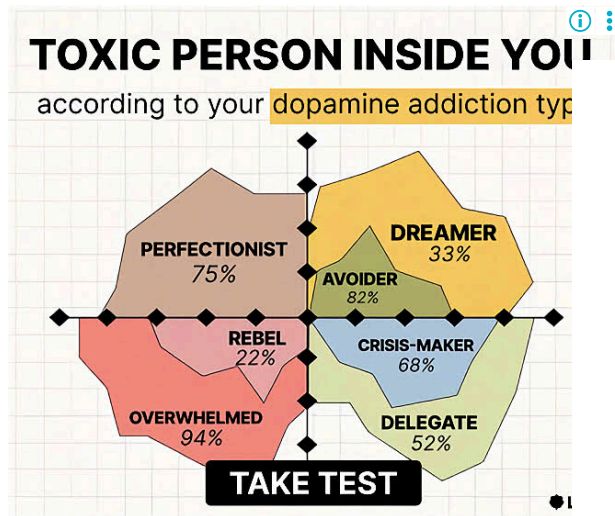
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