Suri Duddella's
Scalp Trading Rules

1

2

3

SURI's SCALP TRADING RULES

1. Avoid Counter Trend Scalps. If you have to CT, think very very SHORT term-trade.
2. While Scalping, In Faster markets, you Pay Your Price; In Slower Markets, you pay Market Price.
3. Your first Loss is your best loss. Never ADD.
4. Think EXITS all the time.
5. If Scalping, Develop a Short-Term Memory.
6. Do not turn a Scalp trade (< 10m) to A Day-trade.
7. Do not follow anyone. You won't have time besides no one is right all the time.
8. Follow Market Internals and scalp in that direction.
9. Intuition/Hope/Praying does not work. Follow RULES.
10. Set Profit/Loss Limits (for every trade/day) and Stop Trading that trade or for the day if you exceed those limits.

1. Avoid Counter Trend Scalps. If you have to CT, think very very SHORT term-trade.

Counter Trend (CT) trading is trading against the main under-lying trend. Scalp trading is very very short-term trading for small small profits. Most short-term traders think they can scalp the markets and make big profits. Most traders also think they are good at finding Tops/Bottoms and 'THEY KNOW' exactly how market is going to turn, hence they trade Counter Trend scalps. Well.. Here is the shocker: The single most reason why most traders lose money (technique wise) is trading 'Counter Trend Scalps'. You could be right 8 out of 10 CT Trades with minor scalps… But the two times you are wrong, you will wipe-off all 8 wins + more… I have seen this about a Billion times from some of the best traders. However, some seasoned traders do trade CT well with great discipline and skill.

But here are few points about CT Trading:

- CT Trading is dangerous and is very very short-term oriented and profits (if any) are very limited.
- CT Trading is unforgiving and brutal when you are wrong.
- CT Trading is more of an EGO and Discipline issue than any real trading skill.
- CT Trading is mostly based on Hunches/Intuition and speculating trend re-versals. Most traders intuition is less than 50% correct.
- CT Trading also creates a negative mentality .. Like always looking for CT trades as you are always in disbelief in the rallies and sell-offs — because you are always thinking/anticipating the trend is going to reverse the next bar.
- CT Trading should be limited to less than 20% of your over-all trades. But most scalp traders do opposite. They trade 20% in Trend and wait for 80% CT Trades, thinking they know how to pick the TOPS and BOTTOMS pre-cisely. This is the doom for many traders.
- Most beginner traders should completely avoid CT Trading. Most seasoned traders should limit to less than 20% of their traders to CT. That too, when many market conditions, market internals, setups/patterns suggest/agree to Counter-Trend setup in unison.
- The trick in CT Trading is to avoid intuition crap and trade solid Setups/patterns which suggest trend-reversals. When trend is reversed, trade the ENTIRE pattern/setups. NOT SCALPS.
- CT Trading requires that you are very very good in Trend trading FIRST. Then you can adapt to trading 20% CT Trades successfully.

2. While Scalping, In Faster markets, you Pay Your Price; In Slower Markets, you pay Market Price.

In plain words, Use 'Limit' Orders in Fast markets and Use 'Market' Orders in Slow markets. This rule Only applies to Short-term traders. For all other type of trading, only LIMIT orders must be used ALL the time.

Most traders exhibit impulsive behavior and are very impatient and anxious to get in/out of trades. As markets shift from low-volatility to high-volatility, traders are eager to place trades and looking for quick market movement. Some times they do this out of boredom.

When markets are trading at a faster pace, traders want to catch the momentum move and issue 'Market' orders. Of course, they do get into the trade. Some times they do get lucky and catch the move but many times they get-in near the last highest tick in that impulsive move. As the volatility returns to its mean, markets retreat and they end up losing the trade.

Traders must remember to trade Setups (Breakouts/Pullbacks, Patterns, Indicators) not just some jerky momentum moves. Have an Entry Level concept for every trade. It must be computed, not a randomly placed number or hyper-active mouse-click. Ignore how price got to that Entry Level (faster or slower).

Pay only 'Your' Price (what you want to) to get in to the TRADE, not the 'Market' price. If markets are moving at a faster pace than you can catch with LIMIT order or you feel you missed the trade, just leave the trade and the trade-desk for a while. You are better off not trading that trade than trade with higher price leading to a losing trade.

During the slow markets, traders have lot of time to think. Many times, slow markets show quick momentum action and fall back to its slow action. Since market is moving slow, they place 'Limit' orders below the current price (for long). This may be ok at-times, but slower markets have very tight spreads and move in narrow-ranges. This causes to not get a fill at the limit price. Once price moves away from your limit price, traders think it is expensive and do not feel like chasing, hence they may miss the trade. If you have a valid reason and want to be in the trade during the slow-pace markets, place a 'market order' but still protect your trade with a 'Stop' order. Also, try to understand why market is trading at slow pace. It could be some impending news/lunch hour, nearing a holiday or just overall market etc..

Rule 3: Never Add

SURI DUDDELLA'S SCALP TRADING RULES

. Your first Loss is your best loss. Never ADD.

Losses are part of any type trading. Some are bigger and some are smaller. Every loss hurts, it does not matter whether it is big or small. Learn to respect them and try to minimize them.

A Planned 'Entry' leads to a Planned 'Exit.' Before you enter into a trade, you have plenty of time to think about Entries/Exits. Once you are in a trade, you have limited focus and may not make rational decisions for the exits (loss/profit).

If you have planned your trade 'Entry' with multiple entries/lots at multiple levels, then 'ADDING' or 'Scaling Up' is part of the plan. Adding is part your strategy. You must know 'ADDING' levels and size BEFORE you place your first order. You must also know how you plan to EXIT this trade.

If you are adding more shares/contracts because of a losing position and DID NOT PLAN then averaging down becomes gambling. Most traders blow out their capital by Forced-Adding process. This obviously leads to many psychological issues (Poor discipline, Gun-Shy:Afraid to pull-trigger, Overtrading, Premature Entries/Exits etc.) If you see a Loss at your 'STOP LEVEL', get out of the trade than ADD. Never HOPE that this trade will turn-around. 7 out of 10 times, it will NOT turn-around and will end up in a bigger loss. If you have planned 'STOP' ahead of your trade, you will feel confident during the trade and may come back to trading with cooler head at a later time/day, in case of a loss.

4. Think EXITS all the time.

Chinese Proverb: "If you must play, decide upon three things at the start: the rules of the game, the stakes, and the quitting time."

Beginner traders focus on Entries and think they can figure-out 'Exits' when they are in the trade. When you are in a trade, you have limited focus and your thinking is prone to making errors. A trader who understands and envisions the process of the entire 'TRADE' wins more than someone who thinks of Entries or Exits only. Once again, my favorite quote: A Planned 'Entry' leads to a Planned 'Exit.' As Dr. Alexander Elder puts it, "Exits separate experts from amateurs."

Mark your EXITS on your trading chart. If you have no automated way of marking your entries/exits, use your charting software line drawing tools to draw your Exits. Mark Catastrophic exit levels (search for some tools posted by goose on TS Forums) and trade accordingly. One of the other practice is to write your 'EXIT' levels on a paper and keep it infront of you. If these EXIT levels are just in your mind, they can be easily manipulated (by your own mind) and you will not execute them until it is too late.

Another note for all beginner traders: Have an EXIT plan for the entire 'Trading endeavor' itself. Many brilliant and successful people are drawn in to trading (full-time) thinking that they can coast trading with their experience and success in other areas. Of course Knowledge and experience does help but Trading (specially short-term Trading/Scalping) is a different animal itself. There may be some over-lap of your experience in other areas to few trading areas, but most make no difference. I have known some of brilliant and very successful people who came to trading and could not believe the amount of hardwork and time it requires to master. After few years, they all gracefully exited 'Trading' for other endeavors. Trading is not just intelligence or how well you know math or how well you can write and test trading software… It is how well you can organize information, how well you can adapt, how well you execute, how well you can manage risk, how well you are disciplined and it is how well you can master your trading techniques.. Those all makes a huge difference to be successful trader. Unfortunately, this process of mastery takes a long time…

I hear people who have been trading for mega years but never really achieved 'TRADER' status and still looking for that perfect setup or 'Holygrail.' They have NO EXIT plan and may be stuck in the 'Illusion of Trading Success.' After few years, most intelligent people who are not so successful in trading will realize that 'Trading' may not be for them and cut their losses and move on to their trained areas. There are lot more other areas where people can make money and earn a great living than 'TRADING', with almost guaranteed income. TRADING offers no guarantees.

Trading is very hard and demands you to be at your best every single day. But it is NOT an impossible task. There are many traders who are very successful in their craft with hardwork and experience. Evaluate trading every few years and see if it is still a great choice of career for 'YOU.' Have an EX-

Rule 6: Forget Fast

Rule 6: Do not change sides

Rule 5: Forget Fast!

SURI DUDDELLA'S SCALP TRADING RULES