

Summer trading for the stock market can be a dangerous time for traders. It is one of the most common periods of the year where opportunities in the stock market tend to dry up, and liquidity significantly diminishes as most of the market participants with big money take vacations.

We've seen a lot of traders throughout the years struggle with over trading this time of year. The lack of opportunities causes them to over trade, and they bleed out their account from commissions and bad losing streaks.

Today we are going to give you some tips to survive and thrive during this upcoming summer. To start, we are going to talk about some strategies you can use to combat overtrading:

Resist Over Trading

Most traders want to make money every trading day. Especially day traders. But you cannot make money if the setups you have an edge on aren't there. You have to know when its time to fold and stay on the sidelines. Your odds of winning Texas Hold'em are low with a pocket 2,4.

Most traders that overtrade do it because they don't know the go-to setups that can consistently make them money. As a result, these traders (most retail traders) cannot identify the difference between a high and low probability opportunity in the markets. When you don't have go-to setups, every stock that moves looks like an opportunity. Here's a chart I saw on Twitter recently if you're wondering what over trading looks like:

Choppiness

Another common characteristic of summer trading is choppy trends. It is not uncommon to see range-bound trading during the summer months. You usually can find a few trending names every day, but it is important not to get stuck fighting range bound stocks. Things typically get especially choppy after 10:30 am where liquidity really starts to dry up.

Low Liquidity

With many market participants on vacation throughout the summer, liquidity will often dry up throughout the stock market. This can result in choppy price action, and a lot of failed follow on certain setups. After the market open, the volume can sometimes really dry up in afternoon trading. Make sure not to get stuck in big positions during these periods, and try to size down during the market open when there's higher volume.

Nail and Bail

I'm a big believer in "nail and bail" during the summer months. Like to get to the beach early and avoid the chop. Often I will just trade the open and then call it a day around 10-10:30. Almost every time I stay after 10:30 during slow summer trading days I regret it. Even if you are red on the day, afternoon trading during the summer is rarely the time to put on new positions to make it back. If there is no opportunity, wait for the next trading day to get it back.

Patience For the Right Opportunities

Since opportunities are often scarce during the summer months it becomes even more essential you capitalize on the opportunities that do appear. In order to be in a position to capitalize on the best opportunities during summer trading, you need to preserve your [mental capital](#).

A lot of traders don't realize the cost of overtrading is more than just your capital. There is also the cost of tying up your attention and energy in a sub-par setup. When you waste your mental capital, you are unable to capitalize on the high probability setups because you were fighting low-quality stocks all day.

Summary

Summer trading is not always like this. Sometimes there are some amazing opportunities during the summer months. But you should also be prepared for things slow down. Come into this summer with these expectations, and you will be able to survive (and hopefully thrive) during the 2019 summer trading sessions.