

Tasks:

- ☒ KW research
- ☒ Competitor article research

<https://learn.bybit.com/strategies/best-crypto-day-trading-strategies/>
<https://tradingstrategyguides.com/day-trading-crypto/>
<https://www.stilt.com/blog/2021/10/how-to-day-trade-crypto/>

- ☒ Content outline
- ☒ Copy
- ☐ Images
- ☒ Edit
- ☐ Final Review

KWs:

- How to day trade crypto
- Crypto day trading strategies
- Best crypto day trading strategies
- Crypto day trading
- best crypto day trading platform
- best platform to day trade crypto
- what is day trading crypto?
- how to make money day trading crypto
- how to pick crypto for day trading
- how much can you make day trading crypto?
- how much money to start day trading crypto?
- cryptocurrency day trading
- crypto day trader salary - [Salary: Cryptocurrency Trader \(August, 2023\) | Glassdoor](#)
- can you day trade crypto
- where to day trade crypto
- what time does crypto market open and close - 18
- does crypto trade 24/7 - 20 - 150s/mo

Points to hit on:

- What is day trading?

- How much money can you make?
- Getting started
 - best crypto day trading platform
- Considerations (taxes, volatility, etc..) make separate points on each
- Best strategies
 - List of strategies to use
- Risks and Challenges of Crypto Day Trading (change name)

SEO Title: How to Day Trade Crypto (All You Need To Know)

Meta description: Find out what it takes to be a successful day trader. Learn how to day trade crypto like a pro with our comprehensive guide!

Discover the best crypto day trading strategies, how to pick a crypto day trading platform, make money, and manage risk with our comprehensive guide!

COPY

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How to Day Trade Crypto (All You Need to Know)



It's no secret that for those who perfect their skills, day trading stocks, gold, and other assets can be highly profitable.

But what about day trading crypto?

The crypto market is young and volatile, making it a profitable home for skilled traders who want to capitalize on short-term price movements.

This guide is made for aspiring traders looking to secure their financial independence through crypto day trading. It will teach you the fundamentals of day trading and what crypto day trading is. It will show you how to plan for, and around, the hardest parts of your future trading career, and challenge you to question your assumptions, setting you on a path of continuous growth.

TL;DR (in 2 parts)

Part 1: Crypto Day Trading Setup and Essential Info

- Day trading is the practice of trading financial assets within a single market day.
- Day traders cycle through a continuous process of trade strategy planning, dedicated strategy execution, and strategy review.

- Crypto day trading and day trading in traditional finance (TradFi) share many similarities but differ significantly in areas like regulation, liquidity, volatility, security, and asset ownership (self-custody).
- Most beginner traders start trading with a few hundred to a few thousand dollars.
- When choosing a cryptocurrency to trade you need to consider its availability on your platform of choice, and its market volatility.
- Choosing a crypto platform to trade on is conditioned on factors such as the availability of the coins/tokens you want to trade, platform security, liquidity, trading fees, available tools, and customer support.
- Top considerations before starting to trade are government regulations, taxes, volatility, and security.

Part 2: Strategies, Tools, and Real-World Examples

- Important and essential crypto day trading tools include charts, technical indicators, news sources, market signals, trading bots, and backtesters.
- A crypto day trading plan is essential to long-term success.
- A plan is different from a trading strategy based on its scope — it includes all considerations and protocols you need to follow when trading while a strategy is focused on individual trading sessions.
- A plan includes considerations like your trading goals, capital allocation, risk management rules, scheduling, and recordkeeping.
- A strategy includes considerations like choosing an asset to trade, selecting the appropriate tools, market analysis, technical analysis (TA), setting entry and exit criteria, and backtesting.
- Some of the most popular crypto day trading strategies include the breakout strategy, arbitrage, range trading, scalping, high-frequency trading (HFT), and pullback strategy.
- Careful planning is the most important aspect of crypto day trading.
- Risk management is predicated on understanding your risk-to-reward ratio, position size, how to set stop-loss and take-profit orders, leverage, and emotional discipline.

Part One

Crypto Day Trading Setup, and Essential Info

In the first part of our guide, we will make sure you understand day trading as a concept as well as the differences between crypto and traditional financial markets. Additionally, we will offer step-by-step instructions on how to get started — from the most important things you should consider before making your first trade to choosing a crypto exchange and setting up your first trading account.

In case you only want to read about crypto day trading strategies and tools, [click here to skip to Part Two: Strategies, Tools, and Real-World Examples](#).

What is Day Trading?

Day trading is commonly understood as buying and selling financial assets within the same market day. The duration of the trading activity can vary, from just a few minutes to the entire length of the trading day. Crucially, for any trading to qualify as day trading, all trades — both opening and closing positions — need to occur within a single, continuous trading session.

What Do Day Traders Do?

Day traders capitalize on short-term fluctuations in asset prices. Often using technical analysis (TA), they study price charts to identify potential trends, reversals, and breakout points. Using these insights, day traders often make multiple trades within a single day, aiming to capture profit from quick price changes.

Day Trading in Traditional Markets vs Crypto



The traditional financial markets and the cryptocurrency market share many similarities. However, there are a number of differences that you need to be aware of.

What Time Does The Crypto Market Open and Close?

Unlike traditional financial markets, the crypto market doesn't have an open and close time. Crypto trades 24/7.

Regulation and Oversight

Stock markets are heavily regulated by established oversight bodies while cryptocurrency markets have varying degrees of regulation, often less stringent than traditional markets.

Liquidity

Liquidity is a major factor in crypto trading and it can vary significantly between popular cryptocurrencies (e.g., BTC and ETH) and lesser-known altcoins.

Volatility

While stocks can be volatile, especially following major news and earnings reports, they're generally considered less volatile than cryptocurrencies. Cryptocurrencies can experience a lot of volatility depending on a wide range of factors like their popularity, liquidity, and technical performance.

Note: *While sometimes concerning for long-term investors, crypto volatility, on assets with sufficient liquidity, can be highly attractive to day traders.*

Security Concerns

Security concerns in traditional markets might revolve around things like data breaches or platform stability. In crypto, concerns can include exchange hacks, wallet security, private key management, scams (e.g., rug pulls, honeypots, pyramid schemes), and more.

Settlement Times

In traditional markets, it might take days for trades to settle and funds to become available (depending on the trading method). Transactions and trades can settle much faster in crypto, often within seconds.

Asset ownership

In the crypto markets, traders can have full custody and control over their portfolios.

This means that crypto traders can move their funds between exchanges, blockchains, and protocols freely and quickly, providing them with unparalleled flexibility and exposing them to many profitable opportunities.

How Much Money Can You Make Day Trading Crypto?

How much money you can make as a crypto day trader depends almost entirely on your skills and the amount of capital you're working with. As you improve your skills you can expect to make more successful trades and fewer mistakes. With time your capital base will also grow, allowing you to take on more risk and increase the size of your positions thus snatching bigger profits.

However, there will always be factors outside of your control (e.g., market crashes and changes in crypto regulatory policy). It's important to always be aware of these possibilities and factor them into your risk management strategy.

What Is the Average Crypto Day Trader Salary?

If your skills improve enough **you** may one day decide to make crypto day trading your career. As a professional crypto trader, employed full-time, today you can expect to [make anywhere between \\$54k and \\$172k a year](#), according to Glassdoor, with the current average salary for a cryptocurrency trader being \$93,790.

How to Start Day Trading Crypto: A Brief Overview

Here is a simple 5-step overview of how to get started with crypto day trading.

In the beginning, you'll need to:

1. **Choose the cryptocurrencies you will be trading:** You have to start somewhere. We recommend trading the popular and highly liquid coins first (i.e., BTC and ETH), before moving on to the altcoins.
2. **Set up a trading account:** Choose a reputable cryptocurrency exchange (e.g., Binance, Coinbase, Crypto.com, Kraken) and create a trading account. We recommend new users start with a simple spot trading account.
3. **Fund your trading account:** Consider carefully how much money you're able to allocate to crypto day trading. Make sure to hone your skills before you commit large sums. Most exchanges also offer the option to trade with a demo ("virtual") account. This can be a great opportunity to learn without ever risking a penny.
4. **Make a crypto day trading plan:** Your plan is your best friend when it comes to successful day trading. It will save you from making some of the [most common trading mistakes](#).
5. **Test and refine your trading strategies:** Continuous learning and improvement is crucial to success in day trading. No single strategy works forever, and most can always be improved.

How Much Money Do You Need to Start Day Trading Crypto?

To begin day trading cryptocurrencies, the amount of money required may vary depending on the cryptocurrency you're planning to trade, the minimum deposit of the trading platform, and your own personal risk tolerance.

Most beginner traders start with a few hundred to a few thousand dollars.

Note: *Remember, especially when you're starting out as a day trader, don't expect to make a steady income right away. It takes time and a lot of effort to get the hang of things and grow your capital. Keep your expectations realistic so you stay motivated and don't get disheartened.*

How to Be Sure You're Not Risking Too Much Money When Trading?

In the crypto space, it is commonly advised to “*never invest more than what you can afford to lose*”. While this is good advice in principle, it is very generic.

In the real world what you can “afford to lose” is very hard to quantify. Can you afford to lose all your money? Can you afford to lose your savings? What about your house?

This is why, for beginners, it's much better to advise that they spend only what they're *comfortable* with losing. In other words, you should make an effort to evaluate your own risk tolerance and adjust your trades so that you can sleep comfortably at night.

How to Pick a Crypto for Day Trading?

One of the many decisions you'll be faced with as a newcomer to crypto day trading is what cryptocurrency to start out with.

This is where you need to do some research to understand if the platform you wish to trade on lists your crypto of choice. You'll want to check out any trading and withdrawal fees as well.

It's important to “do your own research” (DYOR) and not simply follow the recommendations of friends, influencers, and popular media.

Starting out with either Bitcoin (BTC) or Ethereum's Ether (ETH) may provide more stability and predictability when learning how to day trade. These are the two most popular, liquid, and secure coins currently available. For this reason are generally a better fit for beginners

What Are The Best Crypto Day Trading Platforms?



After you've chosen the cryptocurrencies you're going to be trading, you need to find a suitable exchange.

Here's a list of some of the most popular crypto exchanges with a proven track record:

- [Binance](#)
- [Coinbase](#)
- [Crypto.com](#)
- [Kraken](#)
- [OKX](#)

How to Choose a Platform for Crypto Day Trading?

Choosing a platform to day trade crypto is something you should consider carefully. We recommend you judge each exchange on the following criteria:

Security

Security is by far the most important factor in choosing your crypto trading platform. Usually, the longer a platform has existed and the more successful it is, the better equipped it is to handle any security issues that may arise and deal with their consequences.

Liquidity

Platforms with higher liquidity often provide more accurate prices and faster trade executions. The size and frequency of trades have a big influence on liquidity so it's generally advisable to seek out platforms that have a higher trading volume.

However, caution is advised as many of the smaller, less reputable, exchanges artificially inflate their trading volumes.

Trading Fees

Trading fees are an unavoidable part of a crypto day trader's work. Day trading often goes hand in hand with a large number of trades over a short period of time. Depending on the platform you're using, each of these trades can come with a transaction fee. It can be a fixed fee, a percentage of the trade, or some mix of both.

Trading fees can eat into your profits so make sure you inform yourself before choosing a crypto exchange.

Supported Cryptocurrencies

Confirm that the exchange has listed the cryptos you want to day trade. Virtually all platforms support Bitcoin (BTC) and Ether (ETH).

A good crypto exchange will support a wide variety of cryptocurrencies but each of them will be carefully vetted before it is listed. Consider that exchanges need to strike a balance between offering new opportunities to users and making sure that most of the coins and tokens they list are highly secure and have good growth potential.

If you have your eye on a platform that lists shady or obscure altcoins, that can be a red flag. Proceed with caution.

Available Trading Tools

The tools at your disposal will define your day trading technique and much of your success. Remember to choose a platform that provides all of the essentials. We will discuss crypto trading tools in more detail later in the article.

User Experience (UX)

Good UX will make your life much easier. A user-friendly and intuitive interface can make trading more efficient, especially for beginners.

Customer Support

One of the benefits of centralized exchanges (CEXs) as opposed to their [decentralized finance \(DeFi\)](#) counterparts is that they provide customer support.

Crypto trading comes with a steep learning curve and a lot can go wrong. A good exchange will have excellent customer service and quickly provide you with assistance whenever you need it.

How to Set up a Crypto Trading Account



When you've chosen a crypto exchange you'll need to set up your account. Depending on the platform, your country of residence, and your own needs, you'll be directed to complete a series of steps.

You will most likely be required to perform some kind of Know Your Customer (KYC) check and link your bank account to the platform to access some, or all, of the platform's features.

The process of verifying your identity and your eligibility to use the exchange can take anywhere from a few minutes to a few days to finalize.

To maximize the security of your account and trading funds, make sure you enable Two-Factor Authentication (2FA) and use strong, unique passwords.

What to Consider Before You Start Trading

Before diving into the practical aspects of crypto day trading, it's essential to delve deeper into a few key considerations.

While we've briefly discussed these topics earlier, this section will explain each in more detail, ensuring you're fully informed and ready to embark on your trading journey with confidence.

Regulatory Environment



Cryptocurrency is a relatively new financial asset class. Consequently, many countries are still in the process of formulating laws and regulations specific to it. For instance, the [EU has only recently established its comprehensive regulatory framework for cryptocurrencies](#). The United States is gradually advancing in its regulatory efforts, though progress is slow.

Currently, only a limited number of countries have explicit regulations concerning the ownership, exploitation, and trading of cryptocurrencies. In contrast, others either impose an outright ban on crypto activities or adapt existing financial laws to temporarily address the unique challenges posed by the crypto sector, pending the development of more tailored legislation.

How should you proceed? Make an effort to understand your local crypto laws, consult a specialist, and reach out to your local financial authorities if necessary.

Important: *The responsibility for following the law, even the laws and regulations you're not familiar with, falls on you. Make sure you know what you're doing.*

Taxes



Tax obligations related to day trading crypto can vary significantly based on your residency and where you're liable for taxes.

Engaging in day trading means making numerous transactions in a short timeframe. In certain jurisdictions, these transactions are not only taxable but also require detailed, individual documentation and reporting during tax filings.

However, it's not just the transactions that might be subject to taxation. In some regions, merely holding (owning) cryptocurrencies can require you to pay a tax.

Given these complexities, it's paramount to educate yourself before diving into day trading. We strongly advise seeking guidance from a tax professional and familiarizing yourself with the regulations set by your local tax authorities before entering the crypto market.

Furthermore, it's crucial to stay updated on crypto tax regulations. As previously mentioned, many countries are still shaping their regulatory frameworks. This evolving landscape means that tax rules can change, and staying informed is essential.

Here are some useful resources:

- [European Union \(EU\) tax authorities for each country](#)

- [US tax authorities by state \(interactive map\)](#)

Volatility



Cryptocurrencies, even the biggest and longest-lived among them (i.e., Bitcoin and Ether), can be incredibly volatile. The further down you go into lesser-known coins and tokens, the more volatility you'll tend to encounter.

As a crypto day trader, this may provide you with many opportunities to profit from big price movements but it also exposes you to lots of risk.

At any moment — while you have positions opened — you can encounter a market move that's far bigger than you anticipated. Sometimes, crypto moves so fast that you can be completely wiped out in minutes.

This is why it's crucial to [set up appropriate stop-loss orders](#) anytime you open a new position.

Security

Finally, let's discuss security.

The crypto space's lax regulation in previous years has sadly made it the perfect playground for scammers and criminals. Hacks and breaches are daily news in crypto. Scammers can easily create good-looking projects and lure unsuspecting novices (and even pros) with promises of quick financial gains.

Participating in crypto can be rewarding but staying safe requires you to be careful, principled, and diligent.

The typical way that people get their assets stolen or “hacked” is via social engineering attacks. Attackers use psychological manipulation to trick users into making security mistakes. For example, someone may pretend to offer you a deal, a free token/NFT, some major discount, etc. Then they lead you to a scam website or app that drains your wallet or requests you to re-enter your passphrase which results in the assets being stolen.

The trick to defending yourself in these social engineering attacks is to

1. Verify the website URL is genuine and has SSL protection.
2. Ask other users if they know or have used the same dApp.
3. Verify the potential attacker’s identity, i.e. “Are they really who they say they are?”
4. Keep your software and firmware updated.
5. Practice good password hygiene, and avoid using the same password over multiple accounts.

These three **golden rules of crypto security** should mitigate most of these potential concerns:

- Always use strong, unique passwords and enable Two-Factor Authentication (2FA).
- Store your private keys and seed phrases securely and never share them with anyone.
- Be wary of unsolicited offers and too-good-to-be-true investment opportunities.

Part Two

Strategies, Tools, and Real-World Examples

In the second part of our comprehensive crypto day trading guide, you’ll learn all about strategies and tools. We’ll also be giving you some practical examples and useful crypto trading tips.

Best Tools for Crypto Day Trading

When it comes to crypto trading there are tools that are great to have and some that are simply essential.

Why are they so important? Because they help us approach trading in a structured way. This helps circumvent misleading emotions by allowing us to follow our trading plans and strategies.

Below we've included some of the best tools from both categories.

Dash 2 Trade offers many of these [trading tools for free!](#)

Charting

Day trading crypto would be nearly impossible without the help of specialized charting software.

Charting tools like [TradingView](#), an industry-standard tool, are irreplaceable parts of the pro trader's arsenal.

Of course, charting is so much more than a simple candle chart depicting the price of an asset. Charting software like TradingView provides many additional tools and includes hundreds of trading indicators.

Let's explore some of the most widely used technical indicators for crypto trading:

Top Crypto Trading Indicators

- **Volume:** Displays the total amount of a cryptocurrency that has been traded over a given time period. While volume is one of the most basic crypto trading indicators it can still give a good idea of a price move's intensity.

High volume often indicates strong trader interest. It's one of the first things a trader

looks at when starting to analyze a crypto chart.



- **Relative Strength Index (RSI):** Measures the speed and change of price movements and oscillates between 0 and 100. Generally, an RSI above 70 suggests a cryptocurrency is overbought, while below 30 suggests it is oversold.

For crypto day traders, RSI is a key indicator for identifying potential reversals in price.

- **Moving Averages (SMA and EMA):** The SMA provides the average price of a cryptocurrency over a set number of days, while the EMA gives more weight to recent prices.

These moving averages are fundamental for spotting trends in a cryptocurrency's price.

- **Moving Average Convergence Divergence (MACD):** Illustrates the relationship between two moving averages of a cryptocurrency's price. When the MACD crosses above its signal line, it's considered a bullish signal; when it crosses below, it's taken as a bearish signal.

It's a staple in many crypto traders' toolkits.



- **Bollinger Bands:** Comprising a middle band (a Simple Moving Average [SMA]) and two outer bands that are standard deviations (usually two) from the middle. These bands expand during increased volatility and contract during decreased volatility.

For traders, prices are considered to be high when they are close to the upper band, and

low when they're close to the lower band.



- **Fibonacci Retracement:** Uses horizontal lines at key [Fibonacci levels](#) to predict possible price support and resistance levels.

It's a favorite among traders for setting target prices or stop-loss levels.

- **Money Flow Index (MFI):** Quantifies the inflow and outflow of money for a cryptocurrency over a set period.

Used to spot overbought or oversold conditions, it's a valuable companion for traders, especially when paired with the Relative Strength Index (RSI).

- **Stochastic Oscillator:** A momentum indicator that compares a cryptocurrency's closing price to its price range over a specific time period. Readings above 80 are generally considered overbought, while readings below 20 are considered oversold.

It's a go-to for traders looking to identify potential price reversals.



- **Average True Range (ATR):** Measures market volatility by calculating the average difference between high and low prices over a set period.

For traders, it's a key tool for setting stop-loss orders based on market volatility, not just price movements.



- **Ichimoku Cloud:** A comprehensive indicator that outlines support and resistance levels, identifies trend direction, gauges momentum, and provides trading signals. The cloud is shaped by two lines, and the price's relation to the cloud is a primary indicator of market sentiment for crypto traders.

Note: *On your day trading journey, you'll likely encounter, influencers, publications, and other traders praising a specific indicator or proclaiming it's all you need in order to be a successful trader. Be careful not to fall for "indicator hype". Good traders tend to use a combination of different indicators as each tells a different part of the price movement story.*

High-Quality Crypto News Sources

Moving on with another staple in the crypto day trader's toolkit — while not exactly a tool in the traditional sense — market news is something every professional trader takes into account. In crypto, the news cycle can be highly influential and it's a big part of what drives the direction of the market.

Getting access to the latest news, reported on with accuracy, is vital to your long-term success as a crypto day trader.

You can find the latest crypto news from some of the best and most trusted websites, aggregated on our dedicated [crypto news page](#).

Prominent crypto news outlets include:

- [Cointelegraph](#)
- [CoinDesk](#)
- [Crypto News](#)
- [Decrypt](#)
- [BeInCrypto](#)

Crypto Market Signals and Alerts

News becomes far less useful to a day trader when it comes too late. So does any valuable, time-sensitive piece of information.

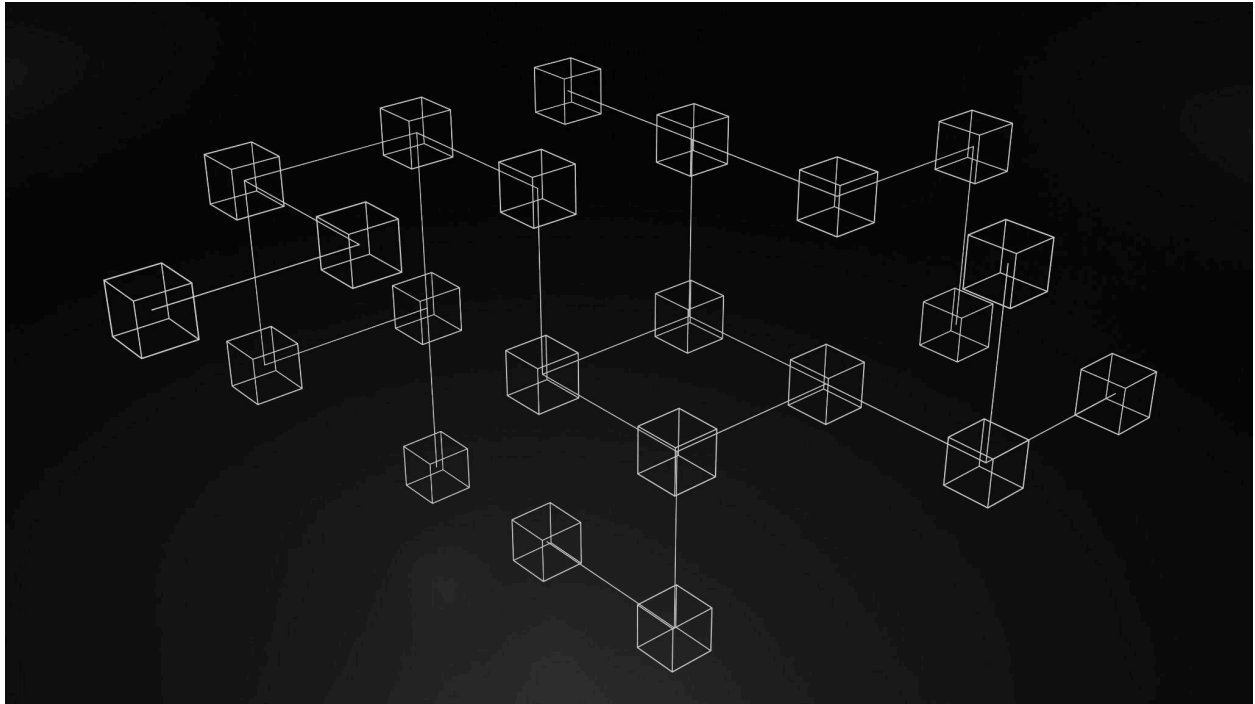
Utilizing Crypto Market Alert Tools

Traders use various tools to receive real-time alerts and track market events. These can include notifications for price changes, significant volume shifts in cryptocurrencies, and potential trading opportunities signaled by technical indicators.

News Alerts

In addition to alerts on market events, traders can set up news alerts. These are particularly useful in the crypto space, where news about regulatory changes, major investments, or technological developments can lead to sudden and significant price movements.

Crypto Trading Bots



For seasoned traders, bots (i.e., software that trades automatically based on your settings) can be invaluable tools.

Note: A “trading bot” is any program that trades automatically. Traders with the necessary coding knowledge can create completely custom solutions to match their needs. Those who don’t have the required programming experience can use 3rd party bots, of which countless options are available.

Here are the most common types of bots used in crypto day trading:

Copy Trading Bots

These bots let you automatically mimic the trades of other, often more experienced traders. This is a popular tool for beginners, allowing them to follow proven strategies. While these bots are typically found on centralized exchanges, decentralized options are also available. Copy trading can be a solid introduction to automated trading, but it’s vital to follow a trader whose risk tolerance aligns with yours.

Scalping Bots

Crypto scalping bots are automated trading programs that take advantage of small price fluctuations throughout the day, executing a high volume of trades and aiming for small profits that can accumulate over time.

Grid Trading Bots

These bots set “BUY” and “SELL” orders at predetermined price levels around the current market price, forming a ‘grid’ pattern. The goal is to profit from small price movements. The bot buys when the price drops and sells when it rises. This strategy works best in sideways markets but can be risky during strong trends.

Arbitrage Bots

Arbitrage bots seek to profit from price differences for the same crypto asset across different exchanges. They buy where the price is low and sell where it’s high. These bots need to be well-calibrated to account for fees and transfer times, which can eat into profits.

Trend-Following Bots

These bots analyze market trends and place trades accordingly. They use indicators, like Moving Averages or RSI, to decide when to buy or sell based on the current market trend.

Market-Making Bots

These bots continuously place “BUY” and “SELL” orders to add liquidity to the market, aiming to profit from the price spread between these orders. They are used by traders aiming to provide liquidity, but they require a deep understanding of the market and come with substantial risk.

Backtesters



Backtesters are specialized tools traders use to evaluate their trading strategies using historical price data.

The way this works is simple: A trader will take an asset (e.g., Bitcoin) and provide the backtester with exact details on the conditions under which it can simulate buying and selling this asset. The backtester will then run a simulation using these conditions and the asset's historical price, producing a result.

The result can be used to indicate if, and under what circumstances, that specific strategy could be successful.

Note: Backtesters only work with past price data and can't be used to "predict" the success of a crypto trading strategy. Market conditions change and the tactics that have worked previously may not work in the future.

How To Create a Crypto Day Trading Plan



Day trading crypto successfully, in the long term, is nearly impossible without a solid trading plan.

The Difference Between a Trading Strategy and a Trading Plan

A day trading plan is an all-encompassing set of rules and frameworks for how you will approach trading as a whole. A trading strategy is the way you would approach trading a specific asset over a specific timeframe.

Think of the plan as a blueprint for a house you want to build and a strategy as a technique for laying down just one of its walls, brick by brick.

The Benefits of a Plan

A good plan doesn't have to be complicated. It simply needs to outline your goals and a path to reach them. The benefits of a well-structured plan are countless.

Having a trading plan:

- Encourages disciplined and focused trading
- Enables effective risk management
- Streamlines decision-making, reducing emotional choices
- Sets clear and actionable trading goals
- Facilitates consistent trading actions
- Simplifies record-keeping for trades

- Promotes accountability and encourages self-assessment
- Aids in evaluating and refining trading performance
- Saves valuable time during active trading hours
- Supports sustained success in trading activities

Steps to Creating a Crypto Day Trading Plan

1. **Start by setting clear goals for your crypto trading.** Are you aiming to make extra income, save for a big purchase, or trade full-time? Knowing your goals helps guide your actions.
2. **Decide how much money you're willing to invest in trading.** This should be money you're comfortable with losing, separate from your savings or emergency funds. Also, take into account any trading fees, taxes, and other expenses.
3. **Set rules for managing your risks.** For example, decide that you won't risk more than 2% of your trading capital on a single trade and think about diversifying your portfolio.
4. **Plan your trading schedule.** The crypto market is open all the time, but it's not recommended you trade 24/7. Set specific hours for trading to ensure you maintain a healthy work-life balance and don't burn out.
5. **Keep a record of all your trades, noting what worked and what didn't.** Regularly review this log and use it to refine your trading skills over time.

Remember, your trading plan isn't set in stone. It's a tool to help you trade more systematically and effectively, and it should evolve as you learn and grow as a trader. Revisit your plan every so often and make necessary changes.

Creating a Crypto Day Trading Strategy



Crafting a plan is one-half of the practice of crypto trading. The other half is the execution — actually doing the trading. This is where you need to introduce your crypto trading strategy.

As mentioned above, a strategy is characterized by the techniques and tactics used when trading a specific asset over a predetermined period of time.

Steps to Creating a Crypto Day Trading Strategy

1. **Choose the crypto you want to trade.** Choose a coin or token that fits the goals laid out in your trading plan.
2. **Gather your tools.** Take note of the tools and techniques you want to incorporate into your trading strategy. They will be the backbone of your entire decision-making process. You will use them to analyze the market and the price behavior of specific assets.
3. **Analyze the market.** Understand how the behavior of your chosen coin or token has been influenced by things like news, development, community, funding, etc. Try to consider as many influences currently acting on the price of the cryptocurrency as well as any that may come in the future.
4. **Perform technical analysis (TA).** Using your trading toolkit, attempt to understand the price trend of your chosen crypto asset, in detail. Identify support and resistance levels in

the timeframe you'll be trading in and begin devising possible trading approaches. Here you can experiment with more of your chosen tools and indicators. Understand which of them have performed best in the past — giving accurate trading signals.

5. **Define your entry and exit criteria.** Establish your risk tolerance for this trading session and use it to set hard rules for when to buy and when to sell.
6. **Create an initial strategy and backtest it.** Outline a strategy using the criteria and information gathered in the previous steps and test your assumptions using a backtester. You can use the Dash 2 Trade backtester to simulate your strategy using historical price data and see if it would have been profitable in the past.

***Note:** At the time of writing (September 2023), the Dash 2 Trade backtester engine does not work with support and resistance levels. Although it allows you to configure incredibly complex trading logic, that logic is only based on technical indicators at the moment. Look for support and resistance level functionality in future versions of the engine.*

7. **Apply your strategy.** Time to test your strategy in the real world. Trade with caution and DO NOT deviate from the strategy. If you make a change mid-way through a trading session you will undoubtedly be contaminating the results of that session. This means that you won't be able to accurately gauge where and how the strategy failed and/or succeeded.

If you make a mistake or encounter other issues, stop trading and reevaluate your approach.

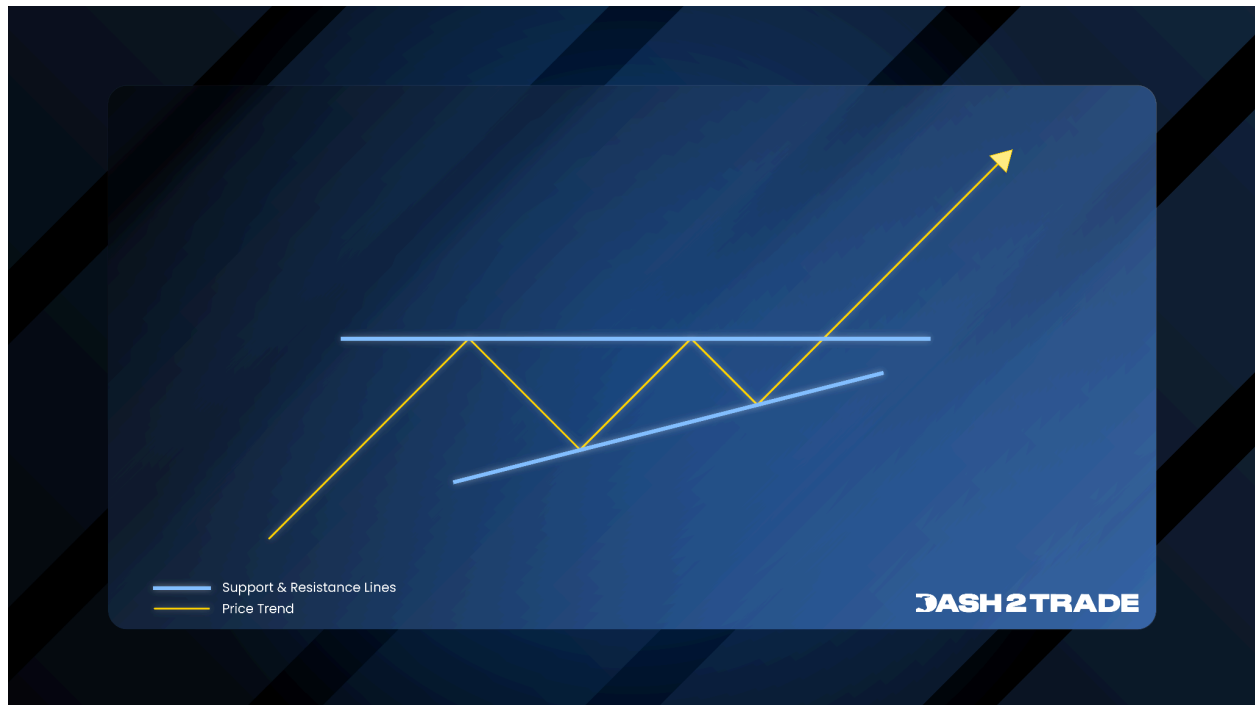
8. **Document, adapt, and refine.** Finally, make sure to keep a detailed record of your progress. If market conditions change (and they will), adjust your strategy to adapt or create a new one. Keep testing, adjusting, and refining your strategy for optimal results.

Best Crypto Day Trading Strategies

So what is a good strategy? Well, it depends on your goals. Remember? The ones you should outline in your trading plan. Discovering which strategies work best for you will take time. This is why you need to pace yourself and take care not to overinvest in the beginning.

That being said, let's take a look at some popular strategies that have produced successful results for those traders who've managed to pull them off.

Crypto Breakout Strategy



Breakouts in trading refer to instances when an asset's price moves beyond a defined support or resistance level, often accompanied by a surge in trading volume. In the realm of cryptocurrencies, given their volatile nature, identifying these breakout points can be pivotal for day traders.

Identifying Support and Resistance

The foundation of breakout trading lies in recognizing support and resistance levels. These levels are essentially price points where a cryptocurrency's price tends to find a halt in its decline (support) or rise (resistance).

Analyzing a crypto asset's recent price behavior can provide insights into potential breakout or breakdown points.

How to Confirm a Breakout

Once a breakout seems imminent, it's essential not to jump the gun. Confirming the breakout by following the price movement after the price has broken the support or resistance line ensures traders don't fall for false breakouts, which can lead to losses. This confirmation can come in the form of sustained price movement in the breakout direction or continued high trading volume.

Setting Entry, Exit, and Stop-Loss Points

A well-defined strategy will have clear criteria for entering and exiting trades. In breakout trading, the entry point could be as soon as a confirmed breakout is observed. Equally important

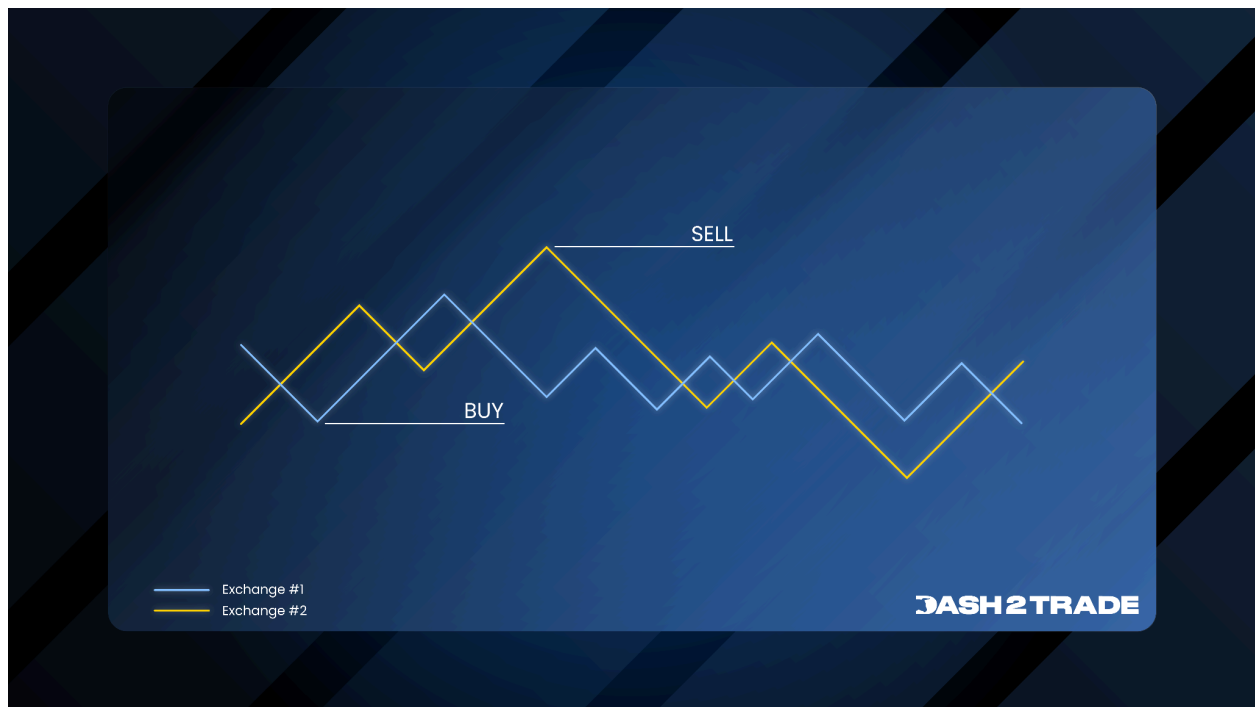
is setting a stop-loss order, which determines the price point at which a trader will sell a cryptocurrency to limit potential losses.

Retests and Patience

It's often the case that after a breakout the price retests the support or resistance line it just went through. Being prepared for these retests and exercising patience can be the difference between a successful trade and a premature exit.

In the fast-paced world of crypto day trading, employing a breakout strategy requires diligence, quick decision-making, and, most importantly, a thorough understanding of the market's nuances. The latter you will gain through experience and continuous learning.

Crypto Arbitrage Strategy

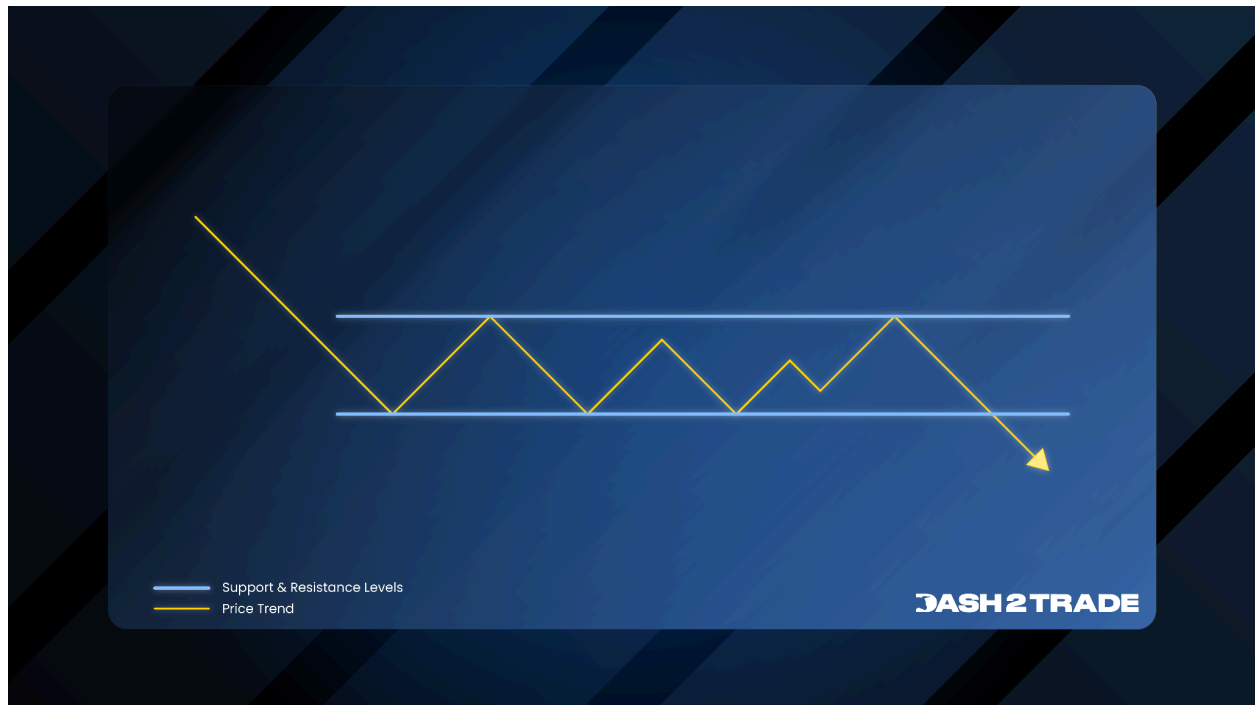


Arbitrage is the practice of buying and selling assets on different exchanges at the same time whenever there's a large enough mismatch between prices. This makes it possible to buy the same cryptocurrency cheaper on one exchange and sell it for more than you bought it for on another.

Of course, it's important to note that we're talking about minuscule price differences. This is why arbitrage traders use automated bots which can make hundreds, even thousands, of trades a day in order to make a profit. Trading fees are one of the main roadblocks to the effectiveness of this strategy.

Arbitrage is popular in crypto and for good reason — the market is volatile and there are hundreds of exchanges (decentralized and centralized) where prices can vary noticeably.

Range Trading



Range trading, at its core, is a strategy employed when the price of a cryptocurrency shifts from a distinct trend and settles into a consolidation phase.

Consolidation

When a cryptocurrency ends its upward or downward trajectory and begins to move sideways, it's said to be in a consolidation range. This horizontal movement indicates a tug-of-war between buyers and sellers, with neither gaining a decisive upper hand.

Upper and Lower Price Range

The success of range trading hinges on accurately pinpointing the range's boundaries. These are the resistance (upper limit) and support (lower limit) levels. The resistance is where selling interest surpasses buying pressure, preventing the price from rising further. Conversely, the support is where buying interest outpaces selling, stopping the price from dropping further.

How to Trade a Range

Within this defined range, the strategy is straightforward: Purchase when the price is near the support and offload when it's close to the resistance. This approach seeks to exploit the cryptocurrency's predictable price oscillations within the set boundaries.

Breakouts and Breakdowns

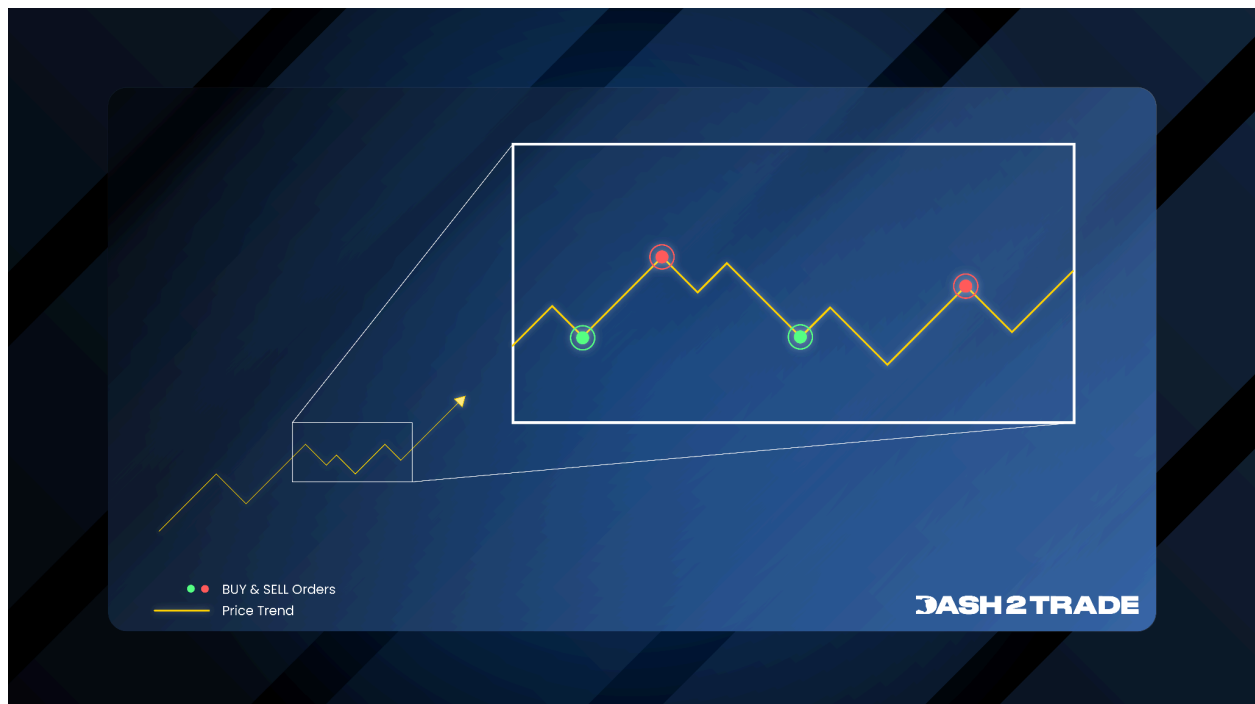
There will be instances when the cryptocurrency price genuinely breaks out of the range, either soaring above the resistance or plummeting below the support. In such scenarios, range trading

might not be the best approach, and traders might need to pivot to other strategies, like breakout trading.

Identifying False Breakouts

While the range provides a structured trading environment, it's not without its pitfalls. Sometimes, prices can give false signals, hinting at a breakout or breakdown, only to revert to the range. Traders need to be wary of these deceptive movements.

Crypto Scalping Strategy



Scalping is a popular trading strategy in both the stock and crypto markets. It involves making numerous trades, often using the smallest timeframes, to profit from quick price movements.

This strategy requires a lot of discipline and careful planning by the trader. It requires the trader to have a clear risk management strategy and extremely well-defined exit criteria. Since the strategy is based on accumulating a large volume of small profits over a relatively short time period, one mistake can cost you your entire trading session and more. Having an exit strategy in place for every trade, and the trading session as a whole, can protect your profits and prevent you from undoing all your hard work.

Additional considerations

In addition to demanding a well-defined trading strategy, the scalping method requires traders to have incredibly accurate price data, a high-speed internet connection for the lowest latency trading possible, and reliable tools to execute their trades.

Also, if you're considering trading with this strategy you need to take care to understand what the trading fees are for your trading platform of choice. It may be the case that you simply aren't able to make profits on a particular platform, trading a specific asset, no matter how well you trade.

Finally, don't forget to consider market volatility and liquidity. Scalping is most effective when both liquidity and volatility are high.

Crypto High-Frequency Trading (HFT) Strategy

High-Frequency Trading (HFT) is a fully automated algorithmic trading strategy. You can think of it as the algorithmic "cousin" of scalping.

HFT is aimed at profiting from the smallest of price changes over the tiniest trading timeframes. These "bots" often buy and sell an asset within a few seconds and may place tens of thousands of trades per session.

They're responsible for a lot of the liquidity and volume you can observe in crypto markets today.

Pullback Strategy

When crypto prices start going up or down, breaking out of a range or reversing a previous trend, they almost never follow a straight line. There are temporary reversals in price direction. These are known as pullbacks — moments during a prevailing trend where the price is moving against the trend.

Day traders love pullbacks because it allows them to hop onto the trend at a favorable price point. However, a full-on trend reversal can be easily mistaken for a pullback. Because of this, traders who wish to leverage the pullback strategy need to have intimate knowledge of technical analysis in order to tell what's really going on in the market.

Keys to Successful Pullback Crypto Trading

1. **It's essential to place stop-loss orders whenever you attempt to trade a pullback.** They will protect you from potentially misidentifying a trend reversal as a pullback and consequently losing much larger sums.
2. **Carefully analyze the price trend.** Having the ability to identify when the price movement has returned to its trending direction is especially important. Knowing this will allow you to maximize your profits and minimize risk.

Understanding Crypto Day Trading Risk Management

Under the hood of every trade and every plan is the concept of risk management. Without it, success in crypto day trading is virtually impossible.

The Importance of Careful Planning in Crypto Day Trading

If you haven't already spotted the prevailing theme of careful planning sprinkled throughout this article, allow us to put it in explicit terms: *Managing risk in crypto day trading, or any trading for that matter, is entirely conditioned on careful planning and diligent preparation.*

Translated in even simpler terms, this means that without a plan, a strategy, and the necessary skills and knowledge you're unlikely to see any significant day trading success in the long term.

What Is Risk Management in Crypto Day Trading?

Simply put, risk management in trading is the practice of planning for the risk of financial loss and finding ways to minimize it.

Naturally, you want to be doing this in order to maximize your profits but there are many additional benefits to a healthy risk management strategy (i.e., improved trading performance, improved analytical performance, better mental health and mental clarity, and more rational decision-making).

Key Components of Risk Management in Crypto Trading

You may notice major similarities between the following list and the ones about creating crypto day trading plans and strategies. This is because risk management is inseparable from both. Now we'll look deeper into what really goes into managing risk.

Here's what you need to consider:

Risk-to-Reward Ratio

The first thing you need to know to start calculating your risk is how to calculate risk vs reward.

Once more, risk is the amount of money you stand to lose if a trade doesn't go your way and the reward is what you stand to gain.

You'll have set up a stop-loss order and a take-profit order, based on your particular trading strategy when setting up your trade (we cover stop-loss and take-profit orders later in this section).

Say you've done a bit of TA and it's telling you that coin X's price is about to go up. The current price of X is \$100. Your analysis also tells you that any potential upward price movement will be

no more than 10% — \$110. You've decided to place a stop-loss order at \$95 to minimize your losses if the price were to go down.

In this example, you stand to lose \$5 or to make \$10.

Your risk-to-reward ratio is:

Risk-to-Reward Ratio = Potential Loss / Potential Gain

In our case that works out to \$5 / \$10 = 1:2

Position Sizing

The size of your trades can either increase or decrease your risk.

Logically, the bigger the chunk of your total capital base you allocate to any single trade, the bigger your risk exposure. A standard is to expose yourself to no more than 1-2% risk per trade.

Note: *Your risk exposure and the percentage of your total trading capital you allocate to a single trade are NOT the same thing. Here we're talking about risk exposure based on position size. It's **the risk exposure** that should be no more than 1-2%, not the size of the position.*

How to Calculate Position Size Based on Total Trading Capital

Let's again pretend we have a crypto token, "X", trading at \$100. Like before, we'll imagine that you've identified a possible opportunity for a long position and you want to buy a certain amount of "X". You've calculated the risk-to-reward ratio of the possible trade and it fits with the needs of your trading strategy so you decide to buy.

You've decided on a stop-loss order at \$95 and you have \$10,000 in total trading capital to work with.

How do you size your position? Using the following formula:

*Position Size = (Total Capital * Desired Risk Exposure (%)) / (Entry Price - Stop-Loss Price)*

- *Risk per Trade* (in Dollar Terms) = \$10,000 * 1% = \$100
- *Price Difference* = \$100 (Entry Price for Crypto Coin "X") - \$95 (Stop-Loss) = \$5
- *Position Size* = \$100 / \$5 = 20 "X" coins

The size of your position will work out to 20 * \$100 (the cost of one "X" coin) = \$2000. This is what you can put on a single trade, in order to risk 1% of your total capital.

Another, simpler, way to think about it is that by saying you're only comfortable with risking 1% of all your total capital you're saying you're willing to risk losing no more than \$100 out of \$10,000.

By placing a stop-loss at \$95, you effectively limit the amount you can lose on that individual trade to 1/20 of the total capital allocated to the trade(because 5 fits 20 times in 100). Then you can simply multiply. So, if a whole coin costs \$100 to buy but you're only risking \$5 per coin, you can buy 20 of them at a combined price of \$2000 to risk \$100.

Note: *More advanced ways of thinking about risk include taking into account the win-to-loss ratio of your trades over a specific period of time. This ratio can be plugged into the above calculation to give you a better idea of the capital you should be risking. However, the only feasible way to understand what your win-to-loss ratio will be in the future is to use something like a [backtester](#) to simulate your trading strategy.*

Even more advanced is thinking of position size in terms of risk and volatility. But that's a topic for another article which will be coming soon.

Stop-Loss and Take-Profit Orders

Stop-loss and take-profit orders are vital tools in the realm of crypto day trading. These automated orders execute a sell action when your positions hit pre-set lower (stop-loss) or upper (take-profit) price levels. This way, you can limit potential losses and lock in gains.

How to Know Where to Set Stop-Loss and Take-Profit Orders

Firstly, you'll need to decide on a risk-to-reward ratio that aligns with your trading strategy. Keep in mind that not all strategies will allow for all types of risk-to-reward ratios. For instance, scalping strategies may not give you enough time to capitalize on higher risk-to-reward ratios due to the quick nature of the trades.

Quick Steps to Set Your Stop-Loss & Take-Profit:

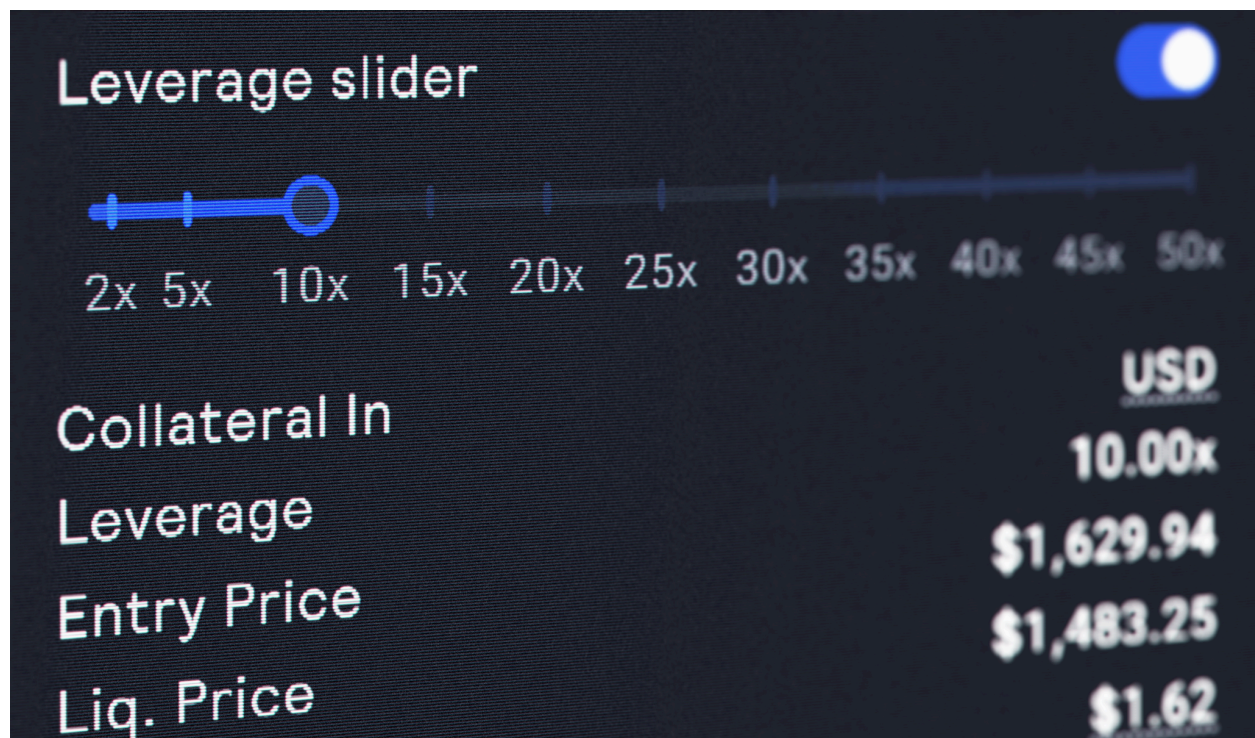
1. **Locate Support Level:** Identify the support level on the price chart.
2. **Determine Risk Exposure:** Based on the current trading price, figure out the selling price that keeps you within your pre-set risk limit.
3. **Mark the Level:** Highlight this price level on your chart.
4. **Adjust for Support:**
 - If this level is significantly below the support level, set your stop-loss just a bit below the support.
 - If the level is at or above the support, set your stop-loss right there.

5. **Calculate Take-Profit:** Find the price difference between your stop-loss and the current trading price. Multiply this by your risk-to-reward ratio to determine where to set your take-profit order.

Note: This example assumes trading with a LONG position. If you're looking to short a cryptocurrency your stop-loss level will go at the resistance level and take profit will go at support.

It's also important to point out that using resistance and support levels is just one of the ways traders determine where to place their stop-loss and take-profit orders. They often use moving averages and signals from multiple indicators to arrive at the final price point.

Leverage



Crypto markets often offer opportunities to use high leverage, but it can be a double-edged sword. While it can amplify profits, it can also unequally magnify losses.

Trading with leverage requires even more stringent risk management planning and that's beyond the scope of this article. However, we'll let you in on a little secret about the "dark side" of leverage.

The Problem With Leveraged Crypto Trading

Leverage comes with a hidden downside that's often misunderstood.

When you incur losses during leveraged trading your total capital base shrinks a lot more than with unleveraged trading. With a smaller total capital base, you require a disproportionately bigger price move in the opposite direction in order to make back the money you lost.

During regular unleveraged trading, if you have \$100 and you lose \$5 on a 5% price drop — leaving you with \$95 — you can make the \$5 back with just a slightly higher 5.26% price increase.

However, when trading with leverage the 5.26% required to make back the lost funds is magnified substantially, based on your leverage amount. Here's an example:

Unleveraged Trading:

- Starting Capital: \$100
- 5% Loss: $\$100 - (\$100 * 0.05) = \$95$
- To get back to \$100, you need: $\$100 - \$95 = \$5$
- Percentage gain needed: $(\$5 / \$95) * 100 = 5.26\%$

Leveraged Trading (Let's assume 10x leverage):

- Starting Capital: \$100
- 5% Loss: $\$100 - (\$100 * 5\% * 10) = \$50$ (because the loss is amplified 10 times)
- To get back to \$100, you need: $\$100 - \$50 = \$50$
- Percentage gain needed: $(\$50 / \$50) * 100 = 100\%$

Even if you leverage yourself again in an attempt to win your money back, at 10x leverage you would still need a 10% price increase instead of just 5.26%. This attempt would look like this:

Leveraged Attempt at Recovering Lost Funds:

- Starting Capital (after leveraged trade loss): \$50
- Working capital after re-leveraging the remainder at 10x: $\$50 * 10 = \500
- To get back to \$100 (of your own funds), you need: $\$100 - \$50 = \$50$
- Percentage gain needed: $(\$50 / \$500) * 100 = 10\%$

Emotional Discipline

Risk management entails accounting for all types of risk that can lead to financial loss. This can mean navigating market risk, regulatory risk, technical risk (i.e., bugs and glitches), security risk (like hacks), and importantly, the risk of psychological overload.

Emotional decision-making can be a trader's worst enemy. Stick to your trading plan so you don't let emotions dictate your actions. If you run into trouble, stop trading and reassess your strategies. Make necessary changes and try again.

Conclusion

Congratulations on making it to the end of this behemoth of an article! We understand it was long but you can rest assured that after reading it you've been thoroughly briefed on the most important aspects of crypto day trading.

You now have the foundational knowledge to build your crypto trading career!

We'd like to leave you with the following tips:

- Start small and work towards improving your skills.
- Carefully observe and follow your local laws and regulations.
- Make the most of your crypto trading with the best tools possible.
- Mitigate risk and save yourself a lot of stress with a plan and a strategy for each trade.
- Have fun and never risk more than you're comfortable with losing!

Happy trading!

A Word About Dash 2 Trade

Dash 2 Trade is a crypto signals and analytics platform for traders. We provide expert trading tools built to help traders learn and make better trading decisions.

Our platform is built by traders and quants from the traditional financial markets. We bring decades of collective experience and expertise to our products and community.

Presenting Dash 2 Trade's Powerful Crypto Trading Toolsuite

Whether you're a seasoned crypto trader or just starting out, you need access to best-in-class analytics, portfolio management, trading, and discovery tools to perfectly complement your skillset.

Dash 2 Trade is a one stop shop for all traders looking to improve their win ratio, and make more profitable trades.

Our platform features include:

- **Token analytics:** Get a wide snapshot of the market at a glance.
- **Market events tracking and alerts:** Never miss a potential trading opportunity.
- **Watchlists:** Track interesting tokens in preparation for a profitable trade.

- **A deeply powerful no-code backtester:** Design your trading strategies to WIN based on historical data.
- **Manually derived token presale analytics and scoring:** Discover great tokens before they list on decentralized exchanges (DEXs).
- **Aggregated high-quality crypto news:** Stay updated on everything happening in the crypto market.
- **Automated trading (Grid & DCA bots):** Let us do the heavy lifting for you. Automate your trades for ultimate efficiency and maximum profit potential.
- **New token listing alerts for major exchanges:** Capitalize on post-listing token volatility.

We're always adding new features. Subscribe to our newsletter with the form at the bottom of the page to get notified when that happens!

The Dash 2 Trade Community

Speaking of our community, that's one of our proudest features. It's a place to learn and grow as a trader, engage in lively discussions with other traders (some of whom are experts), climb the ranks, and generally have a good time.

If all of this sounds interesting to you, the Dash 2 Trade community is waiting for you! Visit [our Discord server](#) to get started on your trading journey.

Further Educational and Market Resources:

Indicators and technical analysis (TA):

- [Trading indicators and how to add them to your chart](#)
- [7 Technical Indicators to Build a Trading Toolkit](#)
- [Getting Started in Technical Analysis By Jack D. Schwager](#)

Fees on popular exchanges:

- [Fee Structure on Binance](#)
- [Crypto.com Exchange: Fees & Limits](#)
- [Fee Structures | Explore our trading fees | Kraken](#)
- [Futures Fee | Crypto Exchange Fees | Fee Tiers | Options Trading Fees | OKX](#)
- [Exchange fees | Coinbase Help](#)

Crypto regulation:

- [Markets in Crypto-Assets Regulation \(MiCA\)](#)
- [SEC v. Ripple](#)

Market drivers:

- [Bitcoin Halving: How it works and Why it matters](#)
- [2022 Global Cryptocurrency Adoption Index - Chainalysis](#)
- [All Chains TVL - DefiLlama](#)