TRADING 101

With the growing popularity of trading, I felt like sharing a couple of base principles, tips and tricks I've learned across my years to get you started. I'll only cover the basics so feel free to dive in deeper on the subjects that you're interested in. Remember that in trading like in sports you're only as good as your basics. The internet is a marvelous place with tons of free resources for you to educate yourself so use it and go in depth on any notion you're interested in.

Making this guide I felt very grateful for all the free lessons I've received from my peers and colleagues all these years. From the day I started till now, I've been surrounded by great traders giving tips and tricks and lessons for free. **A big thankyou to you all for your time**, and here is my modest contribution to helping everyone trade a bit better.

Let's get to it shall we?

We'll start with a simple question: What is trading?

Well trading is simply the act of **exchanging** one product (Of any kind) for another with an entity. This exchange is often realized through a system that we call a **market**. I've taken the broad definition because I want you to understand that what you've been doing with stocks or crypto you can do with shoes or apples. Once you master **trading** it doesn't matter what you're exchanging, as long as you understand it, you'll turn a **profit**.

In our specific case, we'll talk about trading **financial products** (More specifically: Stocks) in the **stock market**. For these kinds of trades, as an individual you can either be a **Trader** or an **Investor**. Plenty of things differentiate the two, but if I were to simplify: A **trader** uses market **volatility** and conditions to turn a profit on the **short-term** movement of an asset, whereas an **investor** uses the **potential** and expectations of the economy to turn a larger profit on a **longer-term** investment.
So, which one should you be? Well, that depends on your profile, market conditions, the time you have to allocate to this activity etc. But in my opinion, the right answer is: a **mix of both**.

Why should I be interested in trading? Or the stock market? Or finance in general?

The stock market and finance usually get a bad rep. We all know stories of people who lost a lot of money buying XYZ, people saying it's the biggest casino in the world, or that it's just gambling and that the house always wins. Most of those rumors usually come from people that wanted **a "make money fast" scheme** and didn't take the time to do the proper work and preparations before diving in. *If you go swimming and you don't know how to swim, you'll most certainly drown. If you try to play basketball and you don't know the rules, well you probably won't enjoy your time and almost certainly loose*. Same goes for the stock market. Taking the time to get **educated**, training with a bit of cash before going in bigger will make the experience much better.

Understanding how to trade, invest and have a better grasp of your finances will help you live an **easier** life, because finance is a huge part of your everyday life and of your future. *In 1994 the movie Forrest Gump aired for the first time. In the movie, Forrest makes his money investing in a "fruit company" called Apple (Yes, THE Apple AAPL). If by the end of that movie you'd have bought 1000$ in Apple shares you'd have a 6 figures account today*. **So, get involved in your finances and don't let the banks make money off of your hard-earned cash by letting it die in a saving account.**

So, what do I do?

Let's start by focusing on the products. Financial markets have a lot of products to pick from depending on: your risk profile, what you're interested in etc. Here we'll only talk about **stocks** (And cryptos for a bit). Any notion that you learn here could be easily transposed to **any** product you want to trade. Be it in the financial markets, crypto currency markets, housing markets etc. what you need is to understand **the rules and the actors**.

What are **stocks**? It's a portion of a company that has been made public for anyone to buy. When a company decides to go public, a group of banks do a full investigation and determine its value. Then the company decides what portion of itself it wants to make public as well as how many shares it wants this value to be divided by. That gives us **the number of shares outstanding, the number of shares available to the public (we call that the Float) and the price**.
Simple right? So, a stock is basically an invisible piece of a company. You can own it to expose yourself to its earnings and performance through dividends or increase in share price. The more shares you buy in a company the **louder** your voice becomes and the more you'll have a say in its day-to-day operations (Stock holders may vote on issues, decide on a CEO etc.).
The stock is then listed on **a stock exchange** (NASDAQ, NYSE, AMEX, LSE, EURONEXT etc.) which functions as a continuous auction, easing the exchange of assets between participants. Some stocks aren't listed on an exchange, either because they do not meet the requirement to be in a centralized exchange (And therefore got delisted), or because the company does not wish to be listed. they are called **OTC** (Over the Counter) or pink sheets.
What are **crypto currencies**? Crypto currencies are a **technological attempt** to create a new kind of digital exchange method devoid of all the drawbacks current currencies have. Each crypto currency has its own take or form of variation on a technological stand point, as well as main features and characteristics that the currency should have. So, when you're buying a crypto currency, you're buying **a technology** in hopes that it gets widely accepted and becomes an established currency that you can trade for goods anywhere in the world. Expectations are high and the possibilities are **endless.** As an investor it is your job to get acquainted to the best of your knowledge with the currencies you wish to invest in, how their technology work, what are the goals, expectations, future etc. and what does the competition looks like.

Okay great but what do you need to trade?

First you need **money**! *(What a surprise am I right?)* any amount will do; stock prices range from a few cents to a couple of thousands of $ a share. Then you need to open a **brokerage account**, it's an account that'll allow you to buy and sell a certain number of financial products. Every brokerage account is different, things you'll have to keep in mind are: *At what time is your broker open or closed for trade. Is there a commission? What types of products can you buy? Etc.* Every broker has strength and weaknesses. If you're starting out and are from the USA the one I'd go for is **Webull**, the interface is nice and legible they have a great range of products and tools to get you started.
For non-US I'd suggest Interactive Broker, though they have commissions they're the best when it comes to an all-around package and offer a lot of great in depth options. Again, *all of this is my opinion, do your own research*.
Now you just have to wire money to your brokerage account and you're ready to go!

Let's continue with the basics: How do I buy whatever it is that I want to trade?

First start by typing in **the ticker** of the asset in your broker: a ticker is an abbreviation by which you can uniquely identify most products, for example: TSLA is Tesla TLSA is completely different (Make sure the data is **in real time**, that you're indeed looking at the correct asset listed on the correct exchange. Don't hesitate to double check online at first, we all made silly mistakes). Once you're looking at the right ticker, you'll want to direct your attention to the **bid** and the **ask**. The **bid** is the **highest buy** order currently open for the position (*i.e., the most someone is willing to pay to buy the stock*) and the **ask** is the **lowest sell** order currently open for the position (*i.e., the lowest someone is willing to sell the stock to you for*). The difference between those two numbers is called the **Spread** (*The bigger the spread the more volatile a stock will be*). The **current price** is the price of the last transaction. Each of these numbers will be accompanied by the **size** which is the number of shares that are being bought or sold at said prices.
For example:

This data is called **Level 1** (Lvl 1). Further information on current open orders around bid and ask can be found (*sometimes for free, sometimes as a paid service*) on your broker and are called **level 2**. In general, you'll want to trade using level 2 because it allows you to accurately see the action on the asset you're trading, but if you're just starting **stick to level 1**, you have a lot of things to master before leveling up.

To sum it up level 1 and level 2 allow you to understand who is buying/selling the asset you're interested in and at what price. Now it's time to use this information to place your order. There are two main types of orders, all the others are variation around them: **Limit** and **Market**.
Limit means that if you want to buy or sell a stock at 42, you'll get filled at 42 **or lower** for buys and 42 **or higher** for sells.
Market means that the broker will find an order to match your amount at any fair market price. *You guessed it?* **DON'T USE MARKET ORDERS!** There is a whole section of finance dedicated to finding the slightest $ they can squeeze from any order (*That's in part most free brokers make their money, by selling your orders to*

funds that'll make money using high frequency algorithms) so try your best not to use them. Limit orders give you **mastery** over your trading. You know the price you'll pay and can infer your **risk** from it.

So, you have your order up now what? Now you get **filled**! It's a living market so if you buy or sell something you're buying or selling it from/to **someone else**. If the price shown is 50$ and you have an open order for that amount, but no one wants to buy at 50$ your order won't fill until someone does want to buy at that price or you modify it (That's exactly the type of cases where you use level 1 and 2 to place the correct order).
Some other orders types are:
The stop order: It'll trigger an automatic sell order (*Market or Limit if you're using a stop limit*) once the asset gets below a certain predetermined value.
All or None orders exist so that you either get filled for the entire position or none at all.

For any order you have to setup a time frame. The default one is **a day** (*meaning your orders will be closed at the end of the trading day*). You can set it to **GTC** (Good till canceled) which mean the order will stay open till you cancel it or get filled (brokers usually allow a maximum of 60-90 days)
Not all brokers allow for every type of orders so **get informed**.

The Market is open every non holiday week day from **9:30 am to 4pm ET**. It also has extended hours from **4am to 9:30am** for the **Pre-Market** and from **4pm to 8pm** for the **After Hours**. **Check the hours your broker operates in,** not all of them are open for the fully extended duration. Be aware if you want to trade extended hours, you'll have to **issue specific order types**, and liquidity might not be the same.

You can also choose to sell stocks that you don't have by borrowing them to a broker for a fee. That is called **Shorting**. You'll want to do this if you expect the price of an asset to go **down**. Hence you sell 10 shares of XYZ that you borrow from your broker @100$ each. You now have 1000$ but **owe 10 shares** to your broker. If XYZ goes down to 90$, you can rebuy those shares (*it's called covering your short position*) and you'll have made 100$.
Shorting is an important aspect of trading but also very risky. When you **buy** a stock, your **risk** is **the price of the stock** (*So if the stock goes to 0 you lose all your money*) but you **reward** is **infinite** because the stock can go to any price up. On the contrary when you **short** your **reward** is **the price of the stock** (If price falls to 0 you gain all the money you won by selling the stocks you borrowed) but your **risk** is **infinite**, because if the stock goes up 1000$ you'll be forced to buy it. As such brokers protect themselves by forcing you to cover your position when it gets too risky, so be **careful** (*This is called a Margin Call*).

Now you know the basics let's dive a bit deeper: How to pick an asset:

I'd love to tell you that there is a magic formula that'll ensure that you win every time but truth is, there is not. However, there are several **methods**, rigorous **rules** and **discipline** that will ensure that you win enough.
What do I mean by winning enough: Let's say you're trading with 1000$, every time you win you earn 100$, when you lose you lose 50$. To turn a profit, you only need to be right more than 33.4% of the time. If you're right 50% of the time on 10 trades, you'll make 250$. This example is here to show you that it's more about the **discipline** and learning **how to take a loss and book a profit** than it is about picking the right stock and having the perfect idea.
When I was starting, I thought it was all about the quality of the call, how smart the idea, and although it plays a part, the single most important aspect of making you profitable in trading is your **EXECUTION** of a

trade. This is why the first thing I want to teach you is how to make a **PLAN.** The more complete your plan the more control on your trading you'll have and the better you'll be able to execute. Plans aren't everything though, your **nerves**, your **experience** and how **comfortable** you are with the asset you chose will also play a HUGE part in how big your profits are. Always remember to trade **only** if you are in the **correct mindset**, **grind** those gains, **stack** them and before long you'll have a nice big happy pile of cash smiling at you.

So how to make a plan: Step one let's familiarize ourselves with charts.

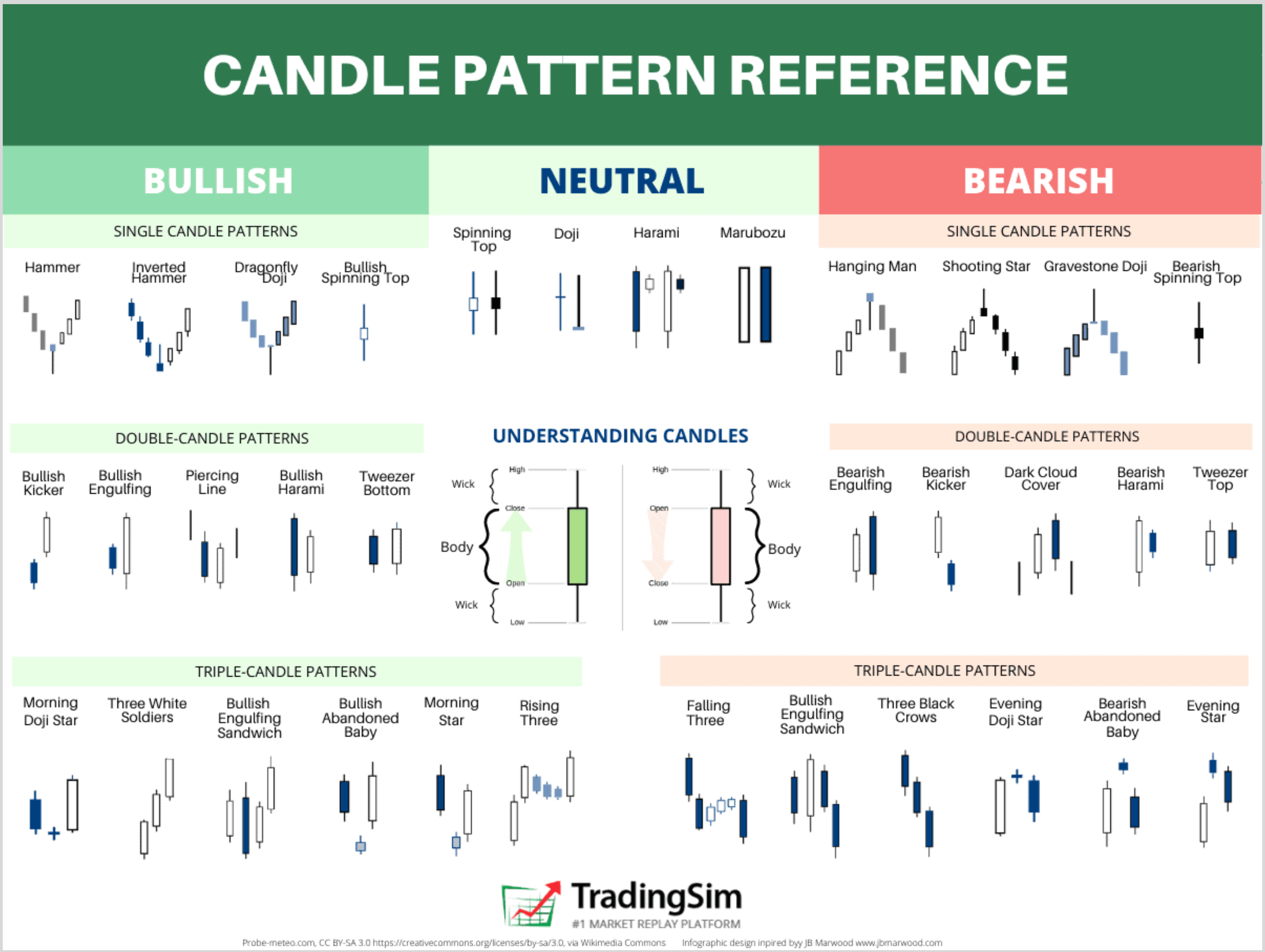
You can find the **chart** of a stock by typing the ticker anywhere on the internet. If you want detailed charts, you'll have to use a broker or specialized websites like [Trading View] etc. A chart is basically **the price history** of a stock, a record of all the transaction that's been made in graphical form. When you first see a chart, you'll see this:

This is **wrong**, if you want to be serious about your trading, **don't use line charts**, use **candle** charts. Candles are a much better way of understanding what happens to a stock, because they're more dynamic and paint a better picture of the movement than a line.

To understand a candle it's simple, each candle represents the **unit of time** you've put your chart in: *If you use 1min charting you'll have candles that represent 1minute, if you use 1 day charting, they'll represent 1 day*. The **color** of the candle indicates if the candle closed **higher** or **lower** than it opened. At the start of the candle, you have the price, if the price goes down and finishes lower than it started after 1 min the candle is **RED**, if it's higher it's **GREEN**. Those two points (Open and close) will make up the **body** of the candle, and any variation outside of them will be pictured by a line called the wick (*it's possible for a candle not to have a wick*). See picture on the next page.

The shape of a candle can give you a lot of information, I picked this picture from the internet (Source on it) so that you can familiarize yourself with the main ones. For info **Bullish** means that you're expecting the stock to go **up**, **bearish** means you're expecting it to go **down** (*Synonyms: Bullish, Long, upside; Bearish, Short, Downside*).

I won't go too much into details about candlestick patterns, but I advise you to get the basics from the internet or from books. I personally trade with the basics because I find other tools to suit my style better. Some traders are able to turn a big profit from trading mostly candlestick patterns. If you find that this is something that suits **YOU**, please don't hesitate to dive deeper.



Another important thing to have on your chart permanently is **volume**. I prefer to have it below the chart as a bar chart so I can check the detailed numbers. Volume is simple **it's the number of shares exchanged during that period of time** (*Again on 1min chart it's the number of shares exchanged in one minute*). Volume is an **indicator**. There are plenty of indicators that you can access and put on your chart (*It'll depend on your broker but the main ones are pretty common*). They range from fairly straightforward to very complicated. The choice of indicators is up to **personal preference**, but I can give you a couple of advices: First of all, **don't clutter** your chart, you don't want it looking like a Christmas tree, the most important thing is **legibility**. Don't go for too much of the same **type** of indicators. There are **three types of indicators**:

- **Trend indicators**: When the chart starts showing the price settling in a particular direction (Up or down) it's called a trend. Trend indicators are there to help you confirm that there is indeed a trend and the direction it's going.
- **Volatility indicators**: Volatility is a measure of the range the stock price can move during a set period of time. The higher the volatility the bigger the swings, and the easier it is to make money (And to lose money). Volatility indicator will help you identifying high and low volatility periods.

- **Momentum indicators**: Momentum is the measure of how fast the stock price is moving in any direction. They are very important to gauge the strength behind a move in stock price and are the best indicators to confirm a stock move.

We'll come back theses notions later because they are very important. Usually, you will want at least one indicator of each type. Try and pick ones that are **complementary** (*Meaning that they confirm each other*).

My pick of indicators is the following:
Volume, VWAP
For **Trend indicators**: 50MA, 20EMA and 200EMA.
For **Volatility Indicators**: Bollinger bands
For **Momentum indicators**: RSI and/or MACD.

And this is a nice segue into **Technical Analysis**:

What is technical analysis?

(*Let's call it TA cause we tight me and her*) It's the analysis of the **technical aspect** of a stock (Namely the chart and most of the information you can gather out of that (Volume, order flow etc.). "*But I'm bad at math and it seems like a headache is it even useful?"* It is! *And it's not*.

Technical analysis is a **support** to help you understand trends, levels and predict movement. No technique is **absolute**, no indicator is better or worth, use what you like, what works for **YOU**. Some of the main indicators are (*Keep in mind that most indicators are based on a number of candles so MA 200 is the moving average based on the last 200 candles. If you're on the 1min chart or the 5min chart meaning 1 candle is 1 minute or 1 candle is 5 minutes it's not the same*):

- **Moving averages:** It's the average price of the last X candles (MA 100 is last 100 candles) without accounting for huge variations. Very useful to put a stock in perspective of its historic values. A lot of different type of formula exist to calculate moving averages. My favorites are **exponential moving averages (EMA)** because it applies an emphasis on current data.
- **VWAP:** Volume weighted average price: easy it's the price weighted by the volume, so if one share was bought at .1 and 9 shares were bought at .5 VWAP will be along the .46 line (True formula is more complicated). It gives you an idea of the avg price of where people bought and what their average price look like.
- **RSI:** Relative Strength index, *it tells you how much a stock can bench… Yeah, I'm not funny so what?* It tells you if a stock is oversold or overbought. Over 70 is overbought under 30 is oversold. Again, it depends on the time period. Most used one is RSI 14.
- **MACD:** Moving average convergence divergence, as the name suggests it shows the relationship between two moving averages. A slower one: the Signal line (Bigger time frame) and a faster one the MACD Line (Smaller time frame). Basically, if the faster one rises above the slower one stock is gaining momentum and if it goes below, it's losing momentum.
- **BOLL:** Bollinger band, new fancy RSI, basically tells you if a stock is overbought and oversold and if it's trading off channel, if it's into the upper band it's overbought, lower band oversold.
- **ADX:** Average direction index, one of the best if not the best trend indicator. It ranges from 0-100, the higher the number the stronger the trend.0-30 indicates a weak trend or no trend at all 30-60

indicates a strong trend and 60-100 a very strong trend. ADX doesn't give you the direction of the trend just its strength.

- **Volume:** Tells you how many shares were bought per unit of time

There are many others, I advise you to read into this. [Investopedia]() and [YouTube]() have a great deal of resources. Find the ones you feel comfortable trading with. The ones that give you the information you need without headaches and make your setup. Colors are also important. You want to be able to see at a glance what you're looking for, so take your time and do things properly. Here is mine, I usually hide MA and RSI unless I'm looking at swings but I put everything up to show you.

All technical analysis techniques are just fancy ways of interpreting the **flow** of a stock, if it's going to go up or down. Best way is still to get **acclimated** with the stock (Watch how it reacts to volume and to certain patterns) so you know what to expect. It's a great tool, but that's just it, it's **JUST** a tool. It will all depend on you, how you use it. Having the best tools won't make you the best trader, but you'd be nothing without your tools. So, study them, respect them and deepen your knowledge of technical analysis any chance you get. I know it seems like we're straying away from the whole plan business but trust me on this, it is part of the journey.

Let me give you some hints on how to use these tools.

When looking at a chart you want to identify some important areas:

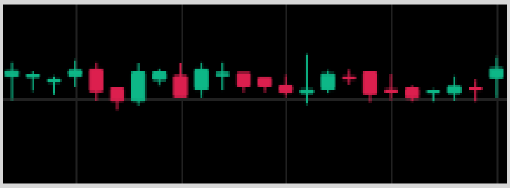
Trending areas: Look like this:

Uptrend

Downtrend

These are **extreme** examples, trends take a lot of forms: long term trend, short term trend, very steep up/down trend or on the contrary softer ones. The important point is that the **share price is going in the same direction consistently over a period of time.** The **longer** that period, the **stronger** and more important the trend becomes.

Consolidation areas: Looks like this:



Consolidation is a sort of **digestion** of a move. It basically means a period of time when people aren't really interested in a stock but still hold it at a certain level **waiting for significant changes or news**. Consolidating areas are important because they highlight **the key supports** on a chart. Levels at which people are comfortable buying and sellers are not interested in selling or shorting the stock.

Ranging areas: Looks like this:

Ranging areas happen when a stock hasn't decided on a direction so it'll **test** both the upside and the downside **repeatedly** until a side wins. This will be shown by a break **out**/**down** of the range. Mastering ranging areas can help you make consistent profits by scalping the movements.

Usually the cycle is: **Consolidation>Trend>Range>Breakout/down**. A stock consolidates around a level until it garners enough attention to start trending up or down. Then when the trend arrives at its tipping point, the stock will range till it breaks out to a higher trend or reverses to an opposite trend.

Let's see an example using the weekly (*Each candle is a week*) SPY chart (*An ETF based on the S&P 500 index, an index that is comprised of 500 of the biggest US companies and a very good image of the overall market. More on that later*). This is highly simplified but I want to show you how to identify those areas, and more importantly, how to figure out the reason behind the movement you see (*Picture Below with explanations*).

Correctly identifying those areas allows for a key part of constituting a plan: **the price levels, supports and resistances.**

Ask any trader if they know what a support/resistance is, 99% will say yes. Ask them to explain it and they'll struggle. See support and resistance are more than the technical levels you see on a chart.

To explain what I mean, let's dive into the simple mechanism that makes a stock move: **Supply and Demand**. The law of supply and demand simplified is: If **more people want to buy shares than there are sellers: Price goes up**. If **more people want to sell shares than there are buyers: Price goes down**. *Simple right*?

In every stock there are 2 kinds of main actors:

People buying shares (*Aiming for profits OR covering a short*)

People selling shares (*Securing profits OR shorting the stock aiming for it to go down*).

You also have **market makers** (*MM*) to ensure liquidity. MM's job is to always provide a buy price and sell price. They're not saints, the prices they quote depend on what's happening with the stock. But they are here to make sure that you can always buy and sell a stock at a given price, they provide the **liquidity** of an asset. Understanding market makers is very important and I advise you to read up on what they are, as well as understand how they operate because they are behind a lot of moves you will see while trading.

Let's get back to Support and Resistance:

What's a Support? It's a level at which **buyers are comfortable adding the stock**. So, it's a level where you'll have buy orders coming in. Hence "support", they come to support the price level.

What's a Resistance? It's a level at which **people are starting to take profits or feel comfortable shorting**. So, it's a level where you'll have sell orders coming in. Hence "resistance", the price movement starts to resist the direction it's going in.

Now couple that with what we previously explained:

A support can be: A consolidation area (*Price where people are comfortable buying but not much selling is happening*), the bottom of a range, a trend, a psychological level (*Like all time low price ATL*), a fundamental level (*Any price described in a filing more on that later*) etc.
But also a technical indicator (*For example as long as the stock is holding the 200EMA, the VWAP etc.*)

A resistance can be: The top of a range, A previous high of a trend, a psychological level (*ATH for all time high price*) or 1$ for stocks that are below for example, a fundamental level etc.
But also a technical indicator (*For example stock finally broke through 50MA on the daily*)

A couple of golden rules in trading: When past **support** becomes **resistance**, the price is preparing to go **lower** (*So for example if XYZ had 200EMA as support and breaks down and then if you see it failing to reclaim 200EMA it's probably going to go lower*)
Similarly when past **resistances** become **supports**, stock is preparing to go **higher**.
Finally whenever you want to **confirm** anything (A level, a trend, a breakdown etc.) no matter the unit of time you're in, you want to make sure **3-5 candles open and close above that key level**.

Looking at a chart try to **find those key price levels** and begin forming a plan based on them. Technical analysis can help you identify those levels and areas. By looking at the history of a stock you can see where people tend to buy it and sell it. From this data coupled with the right indicators, you can try to predict where they'll buy/sell it now, but that's not the whole story. An indicator is essentially a **self-realizing prophecy** for example: *if it's commonly agreed that you should buy XYZ on 50MA, well 50MA will naturally become a support as people using this indicator will come buy it at this level*.
With the broader definition of what a support and a resistance is at its core, you can deduce what will happen **AROUND** those levels by looking at how the stock behaves. Look at level 2 (Bid/Ask) and volume. As I said, support and resistance are just levels around which people feel comfortable buying or selling. So, if you see **no signs of buys** in the case of a **support** or **sells** in the case of a **resistance** around those key levels: it means that it is going to get **broken**. Similarly, if the volume of shares bought/sold is very different than the volume of shares sold/bought, then it means that those levels are about to get broken as well (Supply and Demand remember?).

I mentioned level II let me explain what it is and how you use it:

We previously explained **Bid** and **Ask**, bid and ask are commonly referred to as *level 1*. **Level 2** basically shows you and expanded view on that. It'll show you the highest bids and their size as well as the lowest asks and their size **around** the current price level. It will also show you the name of the exchange that's placing the order. *Here is an example*:

Venue	Bid	Sz	Venue	Ask	Sz
ARCA	3.53	59	TotalView	3.55	1,668
TotalView	3.50	6,885	ARCA	3.55	1,604
ARCA	3.46	100	ARCA	3.56	250
ARCA	3.44	1,000	EDGX	3.57	1,000
TotalView	3.41	1,000	ARCA	3.59	100
ARCA	3.40	100	ARCA	3.60	1,224
ARCA	3.38	800	ARCA	3.62	100
ARCA	3.37	3,902	ARCA	3.63	10
TotalView	3.33	1,400	TotalView	3.64	200

You can see a bunch of different **exchanges** (*Mainly ARCA and EDGX*) placing orders to buy and sell the stock at different prices (*ARCA 3.44 1000 on the bid side basically means someone wants to buy 1000 shares at 3.44 using the ARCA stock exchange. Similarly, EDGX 3.57 1000 means someone wants to sell 1000 shares at 3.57 using the EDGX exchange*). Be advised that it only shows orders. **The fact that an order exists doesn't mean it is going to stay forever or be filled**. Some people like to **spoof** the price of a stock with fake orders that they take down at the last second, be **careful**.

Level 2 should give you a general idea on the **main actors** around the price at any given time. This will help you with your levels. If you see massive blocks on the bid, you can consider that as a **support** (*Again being cautious they could be spoofing you*), because before the price goes down, this entire block would have to be filled. On the contrary big blocks on the ask can be considered as **resistance** because you'd have to buy them entirely to allow the price to move past this point.

The **exchanges** are also important. Depending on the type of exchange, the order will be under different rules, thus you will be able to determine the **intention** of the person behind the order. But this you'll have to learn for each stock you trade (*And to be honest it is not a priority when you're starting*).

Level 1 and 2 and tick by tick (Which shows each tick of exchange) are only useful when you are **actively** trading a stock. They allow you to understand the current state of a stock in real time which will help you more accurately buy and sell your shares and confirm your levels. Level 2 and tick by tick also show you the **volume behind a move**:

When there is enough daily volume on a play or over long periods of time (Day candles). At this point begins sort of a **tennis match** between longs and shorts.

This tennis match happens with the volume and you can be a spectator on Lvl 1, Lvl 2 and tick by tick, or you can actively participate in it if your account is big enough.

For a move to be real, it has to be supported by volume. Be it a move up or move down on the chart, a significant resistance or support break, **if there is no volume and no continuation then the move isn't real** and will very likely get reversed. Volume shows how much shares have been bought, it shows how much people **believe** in this move and how much **effort** they put in making it happen.

The first notion you have to understand is **Soaking**. Soaking basically means absorbing volume (*Understand effort, picture a sponge absorbing water*) from the other side of the court. *Soaking is akin to defense in a tennis rally*. The other player is hitting as strong as he can and making the ball move across the court to make you run for it in hope of breaking you. You defend tooth and nail waiting for him to exhaust his reserves and for you to be able to take the **initiative** again. Then it's your turn to attack. If you can't defend well enough you get tired and **the support level gets broken**.

The second is **the attack**, it's when a side sends big blocks of volume to try to break a level and make the other capitulate. You'll see it on the volume by big bars appearing after a period of relative calm. On every attack they'll be an attempt at defense. The attack and defense aren't set on a precise number, if the break is 2.6 for example and it goes to 2.61 it might not be a complete break, often people put multiple walls on bid or ask to soak so wait until you don't see the walls anymore. A break might also not happen on the first try their can be multiple tries (*Often my rule is to allow 3, if the level doesn't break, I look to get out because it means the move will reverse)*.

The third and most important part is **continuation**. After a break happens you want the price action to use the break to push it in your direction. **No continuation is a strong opportunity for the other side to attack back and reverse the move, sometimes violently**.

At the start of each match, both sides have a **set amount of energy** they're willing to use. The first one to get exhausted will capitulate making the chart move big in the opposite direction. Rallies (as in tennis rallies) can be long and happen all through the day with a different winner each time. **Your role is to understand how the players want to play and to apply that to your patterns**.

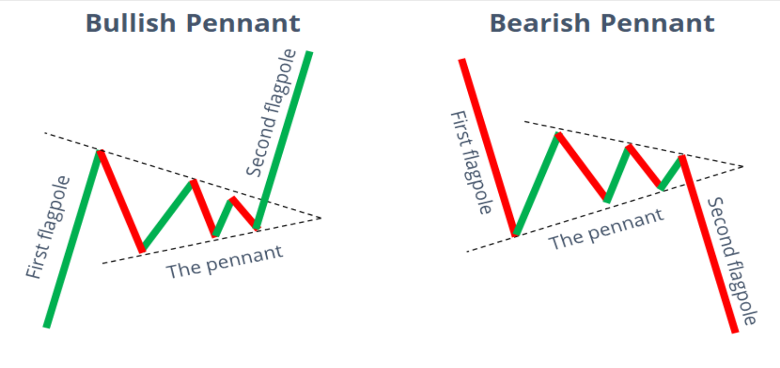
Usually, **patterns are a chart representation of the rally happening**. Attacks will often happen at the end of said pattern, because it's also what people are looking for, hence ensuring better continuation. *So, if you see a 20EMA flag, a trendbreak etc. Look at volume, look at lvl 2, tick by tick; look at how bid and ask evolve and try to understand what the players behind the move are doing*. When the attack starts look at **what happens***. If you see people using 10% of daily volume to try and break a level and it get soaked, we're probably going down so might be time to take some profits and set a stop loss*. *If you see big sells on a stock but the price action isn't moving, this might mean we're going up soon and some big buyers are soaking trapping shorts before making the price fly forcing them to cover.*

A big move up or down will always attract shorts and longs. This is where they can be trapped and make the move even bigger than it is (*Those big parabolic moves that you see is often big buyers soaking shorts and breaking resistances up with strong continuation forcing the shorts to cover making the move even bigger. This can happen multiple times a day*). You'll learn a LOT of patterns looking for them. My advice is: **make a note every time you see something and when things start to repeat try to learn the ones you feel the most confident with or make the more sense to you**. Start playing small and increase your sizing with the increase in confidence.

As I said this battle is way easier to see on a chart in real time. This is something that you use to confirm the moves and theories that you have. **This coupled with technical analysis will give you a very high win rate in picking the best setups during the day**. Also remember if you have a small account **you don't have to be first**, wait, let the big guys do the attack and buy on the break. Similarly, if you see a short getting soaked, no need to slap the ask, bid and wait, he'll fill you naturally.

Now you know what a chart is, how to identify key levels, and how to read volume. Let's transition into applications of this through very simple patterns that you can use in your everyday trading.

Starting with the simplest pattern: **The flag**. A flag is a **ranging** pattern that prepares a breakout or a break down. They can take many forms and be bullish or bearish. It looks like this (Picture taken from https://corporatefinanceinstitute.com/):



Those patterns are very easy to see and to trade, you want to: **buy on the breakpoint, IF the break is confirmed**. Then you hold it with a simple plan using past supports as resistances. They can happen on any time frame and usually all trade the same.
If a flag forms for too long and is not tight enough sometimes it will fail, get accustomed to the pattern and you'll be able to notice them.

This is a pattern that you can trade in conjunction with your indicators. A flag will usually form with a moving average as support or above VWAP. Usually if a flag forms far from any indicator, it'll tend to fail.

The most important line in a flag is the **top one** in case of a Bullish Flag and the **bottom one** in case of a bearish flag. Most brokers have **drawing tools** so you'll want to try and draw them. Those lines don't have to be perfect but they must be representative. As always try to follow the 3 candles confirmation rule to confirm when a breakout is happening. Then you targets can be the next indicator, New High of day (NHOD), or any level you feel makes sense.

For example:

^You can see that **the flag is becoming tighter and tighter and maintaining support** on the 20EMA (Teal line). Then suddenly you have a candle that **breaks the trend**. This is where you add.

^Stock continues to go up and break previous high. The **resistance** (*Previous HOD of 0.7*) becomes a **support**. You can now hold with **a stop at this previous support level**, or using the **20EMA** (teal line). Both are correct. One is tighter (Previous level), the other one looser (Indicator), so it will depend on your risk profile.

^As you can see stock continues to make new highs. The 80c level is a **psychological level** (10c higher than previous high). Usually, when approaching those levels, you want to take **some profits and trim your position** before. So, try and have sell orders ready at 78c or 79c, still holding a core position in case it breaks through and goes even higher. Your stop is still the 20EMA.

Second pattern I like to play are **VWAP taps or VTAPs** as I call them.

When a stock that had momentum or a decent enough trading volume, **dips through VWAP for the first time**, it tends to go back to this VWAP level later in the day. For this pattern you'll need the **VWAP indicator** as well as the **200EMA** and **20EMA**.

You want to buy stocks that went down, are looking like the downtrend is **reversing**. You'll start to consider them if they are **holding above the 200EMA**, and add them once they **break above the 20EMA**. Then you'll want to look for the break levels and sell them a little before VWAP. You stop will be the 20EMA generally, if you want to play it safe or it could be LOD as well if we are not too far. This pattern might not always go to VWAP completely so make sure to **take your profits** on the way and set **smart stops**.

Here is an example:

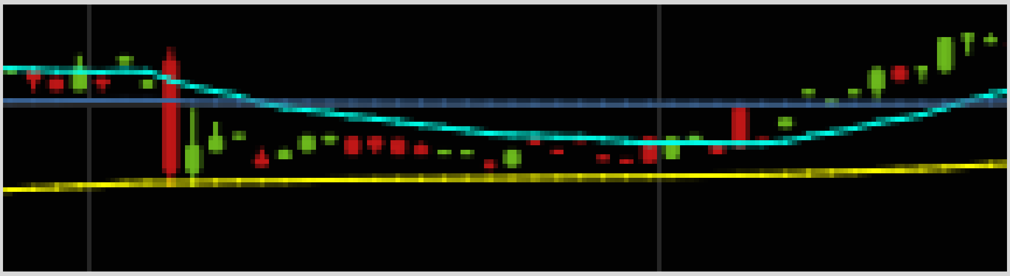
VWAP is blue line, 20EMA is teal line. As you can see stock dips below VWAP very early and **never goes back up** (*Usually the VTAP doesn't happen more than twice in the same day*). Then you can see that chart breaks the down trend after some accumulation around **LOD** (Low of Day) and reclaims the 20EMA. This is where you can start adding.

As you notice the pattern fails multiple times. That is why we use a 20EMA stop and if you look closely, you'll see that we always sell for a profit or break even. But once it works the stock goes to VWAP following the 20EMA trend.

Once again you'll have to **repeat** this multiple times before mastering it. As always, start small and grow bigger in your sizing as your confidence level increases.

Third pattern **the 200EMA**. The 200EMA is the moving average of the last 200 candles, meaning, it tracks the stock movement for a **long time**. As such it is great to use the 200EMA as **risk** and add stocks off of it if they manage to hold it or reclaim it.
Any stock **holding the 200EMA** for a long period of time that has any other positive factor going for will very often have a nice move in price later down the line.
Same thing a stock reversing off of lows and reclaiming the 200EMA is a **strong bullish sign**.

Here is an example:



Stock breaks down off of trend but still falls down to 200EMA (Yellow line) then it holds and accumulate here. You can add into this accumulation with 200EMA as your stop.

And look at the result. Stock breaks through key levels (20EMA teal line, VWAP blue line, then HOD). What happens here is that shorts got **trapped** in that big down candle mid-day, and since it never breaks 200EMA and has very little volume, the moments the stock picks back some momentum they are forced to cover their short position by buying, creating a move. The move is followed by volume and we get a new high.

If you time your entry correctly you can see that your risk off of 200EMA is very small, your plan is super simple and the reward is quite big. Mastering this setup gives **very comfortable trades** that you can manage easily and reproduce many times every day/week.

Final pattern is the **3rd/5th day pattern**. Usually when a stock has a big move on a day, it tends to move again in the same direction **2 days later or 4 days later**. This pattern is the result of different factors that you can track.

The first one is **the liquidity trap**. If on the day of the big move, you have a lot of volume exchanged and then on the following day **volume drops significantly** but stock price stays relatively **stable**, it means that the people that shorted this stock are trapped and can't cover. So, any big move will force them to cover.

Second one is **confidence/continuation**. People and investors after a big news wait to see what are the new **support levels** for a stock. If you see that the price is holding a level pretty well after a news, this could become support and create a bigger moves as bigger fishes join in on the action.

The movement won't happen every time, so don't buy hoping it does, **wait for volume** and then refer to your key levels. You want to buy into strength and **be aware of the possibility of news filings like offering etc. That can make the price drop very fast**.

Like always this is a pattern that you will need to get used to over time, but it's a very easy pattern to play. Simply keep track of all the nice movers in a day and review them 3 days later in the morning. **Those that have a nice look you should keep on a watchlist with alerts at key levels**, the others you don't look at.

Usually, you'll see the pattern present as follows:

You can clearly see the big move and volume (Volume is the bar graph below the chart) on day 1. Then volume drop **SIGNIFICANTLY** on day 2. Before picking back up during pre-market on day 3. You can also see that the price level holds during day 2 (Purple line is 200EMA pink line is 20EMA).

This is a stock that you'll watch and possibly **add at open** on day 3 and have as key levels the levels of Day 1 (Especially the HOD of day 1 for a nice breakout).

As you can see most of these patterns are a combination of **indicators, chart levels and trends**. Looking at them allow us to predict moves with a certain degree of certainty. Combining this information with **level 2** will give you a lot of insight over how a stock is going to move.

I've shown you my patterns, but you'll want to find **your own patterns**, get used to them and then, take the trades only when you have **a high win rate**. Learn how to be confident in them, when they're working, when they're not, and you'll have a money-making machine. As always to learn a pattern start small and grow in sizing as you gain confidence.

Now that you can spot and understand the technical aspects of a chart, let's go behind the chart and focus on what you're actually buying. When you buy a share you buy a slice of a company, so of course you'll have to understand **the company behind what you're buying** if you want to improve your trading.

This is where fundamentals come in play.

Simplified, fundamentals are all the information that contribute to the **valuation** of the company. So, you could say most of the financial information (Debt, equity, cash on hand etc.). They are an essential part on determining the value of a company and thus are one key component of its share price. I will not dive in each of the components but you should get familiar with them.

Fundamentals will help you understanding the base level a share price can go and how the company will behave. A market capitalization lower than the cash reserve will often mean the company could be bought and will/should be trading higher. A company with good fundamentals will often be a **safer** investment than one without. *News of a 50M$ contract for a company with a 50M$ market cap will send the share price fly very high but for a 50B$ company it's not as big etc*. In the small capitalization world, you should expect lots of debts, because that's how a company **leverages its capital**. Often those companies are working on getting a product out and have little revenue so they need cash. That's also how you can spot an offering coming. Since they need cash to keep on functioning, if they have little or no reserve, they'll be more likely to drop an offering especially on a price hike.

The most important elements you should watch for are:
A company's **debt**: the **lower** the better, you want it to have less debt than cash if possible or at least less debt than the current market capitalization. The higher the debt compared to the market cap the higher the chances of **bankruptcy**.

A company's **cash**: the **higher** the better. The more cash a company has the safer you are from **offerings** and the more likely she will use it on something good (Like an acquisition etc.). You want cash rich companies especially if they are trading below their cash value, because they tend to go back to that price.

A company's **float** and **shares outstanding**: Basically, means how many shares is the company made of (*Shares outstanding*) and how many of them are available to the public (*Float*). Reminder that if you buy 5% or more of the outstanding shares of a company you have to file a **13G** with the SEC and notify any stock related action you're going to take. For float, the **lower the float the more volatile the price** (Supply and demand has a bigger impact), but also the smaller you can play. Be very careful about your **sizing** on those low float plays.

A company's **earnings**: more on that later.

The easiest way to find fundamentals is to go on Finviz or to read the earning reports of a company. The **deeper** you dig, the more you'll understand the company's health and prospects as well as what they need to do to become profitable which could help you spot **catalysts**.

Those catalysts come as SEC Filings and News:

A company filings and news are what set the **rhythm** to the stock price. They'll almost always make the price of the stock move up or down. Understanding how to interpret them **quickly** is a key to knowing how to trade the stock. You'll also need to learn how to dig through **old** filings and how to read **old** news. That could get you a very clear idea of what is coming and is part of your **due diligence** when entering a swing. There is about 200-500 different SEC form a company can fill out, knowing all of them won't happen overnight and is often useless, so I'll focus on the ones you'll most often see as well as the most useful/important. First and foremost:

THE OFFERING (**spooky noises*, *woman screaming* and scene… sorry*). The most infamous one of them all. It comes in many forms: S-3, F-3, 1-A, C, D etc. (*No, I'm not playing chess these are the names of the forms a company will file depending on the type of company and the type of offering*). It can all be boiled down to a simple fact, at the given date (*Not the date of the filing, the date of the offering*), the company will issue more shares at a certain price. What you need to understand is: It's a great and easy way for small companies like the ones we're trading to **raise capital** so that they can continue to survive until they become profitable (*Literally fake it till you make it*). So, is the offering bad news? Yes and no, but for you mainly yes and for two reasons. Remember supply and demand? *Guess what happens when supply becomes larger?* But the main reason is the **price of the offering**: that's what you'll have to hunt for in the document. You may not find it right away depending on the type of offering, sometimes they don't even give a price at all. Usually what you'll want to do is sell your stocks and rebuy when everything has stabilized. Always keep in mind the **price** and the **date** of the offering. Stocks that are trading under offering prices before an offering or even after are a great way to make money because they'll either pop back to the offering price organically or be pumped back to that price. One final note, when they say an offering has closed, it doesn't mean the dilution is over, it only means all the shares are transferred to the bookrunner.
From the filings previously mention, you'll see a second type of event: **Shelfs**. A shelf is a way to prepare for an **offering**. It allows the company to offer an amount of share up to the maximum amount of the shelf at **any time** with little paper work. *Think of it as keeping offerings ready on a shelf in your house, like pickle jars. Anytime you need pickles BOOM offering*. Shelfs, Offering and the warrants that come with it play a huge part in **diluting** a stock (*Warrants give the right for warrant holders to buy the stock at a given price if it goes above a certain price before they expire*). They'll help a company raise money, which can be good in **the long run**, but for **short term**, they'll dilute the float and make the price go down so **bad news** if you're in them.

The 10-K/10-Q: Q for quarterly and K for Kannual. These are the reports a company has to file to the SEC every quarter. There are 3 Quarterly reports and one Annual (The last quarterly includes last quarter + whole year). They're often filed following the Earning report and will often be more detailed.
*What are **earnings** I hear you asking?* Every quarter, companies update their **financial information**, earnings include sales, profits as well as intensive information on the financial health of the companies, as well as **updates on their projects** and often on what's to come. Earnings will often come with an Investor's conference call or conference to get the shareholders up to date as well as to explain some of the decisions. Often, **predictions** will be made on earnings by financial institution based on a number of factors. Beating this forecast will often mean an increase in the price stock when the opposite well means the opposite. When dealing with 10-K/10-Q/Earnings always keep alert of the contents especially on what's to come you'll very often find hints that if you link them to the correct DD can give you a good idea of exactly what catalysts to expect in the future. Those are the report you'll want to dig in even the old ones.

The 8-K: Oh, the mysterious 8-K, the one every trader runs to read. An 8-K is the filing of any **unscheduled change or even**t in the company. It can be **great** news, but also horrible news like **bankruptcy**. This one is all about speed, if you didn't see it coming (*By doing DD and getting to know the company*) you'll want to jump on reading it very quick to know what to do. 8-K will always be a major event, secret to making money is knowing how to **predict** them and understanding what they **truly mean** for the share price. *Sometime market will realize a bit later that the news is actually big, allowing you to enter in the stock at a discount*. Great traders will often be able to tell how good the news is at a glance. No magic formula, just experience and digging the company as much as possible, as fast as possible.

The 13-G/D: Simple, it's a filing you have to do when you reach an ownership of a stock which exceeds 5% when buying shares. For you it's useless, but it'll help you find the **big owners** of a company. Some names joining in on the capital can trigger movement. Big names like Blackrock can inspire confidence in a stock. Get to know the actors in the domain you're trading and what they do to a stock (HC wainright, Sabby's etc.) and you'll know how to trade them. This filing should always come as a consolidation of your reason to hold the stock, not a reason to buy.
Also, when you see a lot of insiders changing their positions, it could mean big events are coming (*If they are selling, it's bad news, if they are buying, could be good news).* All of this is speculative though.

As I said there are many more, you want to know them, search for them. The main idea I wanted to point out is that filings are **crucial and often act as a catalyst for the stock**. Knowing how to read them but most importantly what to look for when reading them is primordial in swing trading. You'll never want to read a filing in its **entirety**, first because it's very boring, second because it's written in the worst language on earth: Lawyer lingo and third because it's useless. Learn what to find and where to look for it in the document and you'll be good.

A correct fundamental analysis should be done on any stock you which to hold for a **long period of time**. You should have a plan of which catalyst to expect next, if the company will need to raise cash etc. Filings will come to either confirm or deny your initial idea. Hence, they'll modify your plan or confirm it by giving confidence in the stock. *Think of it as dating, you get as much information and assumptions on the stock and then they get confirmed or you get surprised*.

Now you have all the elements to build a SOLID plan.

First, you'll need a stock that **works for you**. *It can be a stock picking up volume, a bottomed chart that has good fundamentals and a catalyst you like soon, a pattern that you like setting up etc.*
To find those, you'll want to use screeners and scanners. If you're just starting, I suggest using Finviz and your broker. If you're a bit more confirmed get a paid scanner/screener they'll give the best information. You'll want to set them up to look for what you're searching for, it all comes down to preference and experience. Again, here no shortcuts, you'll learn as you grow.
The best way to grow is to **look for patterns**. First, you'll notice them, it could be **fundamental patterns** (*Same bookrunner always running similar stocks, Same offering underwriter pumping it back to the price before offering again, Group of certain bio stocks that are presenting at the same conference being loaded together etc.*) or **technical patterns** (*We showed example of those previously VTAP, 3rd day, 200EMA etc. try to find your own to complement your trading*). When you have noticed a pattern, you want to try it out with small size until you master it perfectly and then go in bigger as you understand it better.

After that comes the **key levels**: What is the **support**, what are the **resistances**, what price targets or indicators must the price go through for it to continue on the **trend**. What is your **stop** (Price at which you will sell)? And the **timeframe** you want to work on. Is it a stock you'll keep for an hour? A day? A week? A year? *If you're day trading the pattern and it doesn't work at the end of the day, do you overnight? If you're swinging something and it goes on too long, do you keep it or move on?*

Alright, time to pick your **add point**: How should you add? If the stock is moving fast and you feel confident in chasing you should buy the ask but **most of the time you should bid the price YOU want to enter at**. If it never goes back to this price, it's okay, there is always another play, **you trade on YOUR terms**. On stocks where you're unsure of the current price level, you can try to place what I like to call **Fish Bids**. Basically, bid significantly lower than the current price to catch any big knife. If you get filled great, you're in at a great average, if you don't it's okay, move on to the next play.

Then you choose your **sizing**. Sizing is the number of shares you choose to buy and sell of a certain stock. It's one of the most important notions in trading.
It depends on: Your **risk factor**, the current **volatility** and **liquidity** of the market and of the asset you're buying, the **general trend** going on in the specific sector you are playing and how much **money** you want to make.
What I mean is your sizing shouldn't always be the same. It varies with market conditions and momentum. I'll give you a simple example, *if you knew 100% a stock is about to have a 10% run in the next hour, how much stock should you buy in account %? The answer is simple 100%, as much as you can! Why? Because NO STOCK is guaranteed to give you the same return in the same amount of time, so it is the play that'll make you the most money*. It's an extreme example but you always have to think like this. How much of my money is working for me and how much isn't? **Cash is also a great position**; it doesn't gain you money but it doesn't lose it either. So, 0 risk 0 reward which is a great play sometimes, especially when the market is **unpredictable or bad**. Cash also allows you to enter other trades so it's an important resource. As there is always an opportunity out there, you'll always want to have cash on hand to enter it.
You have to size according to **risk**. How much money you would lose if the stock falls and how much you would win if it goes to the first resistance according to your plan. On a 50/50 risk reward you shouldn't risk much. On a 0/100 risk reward you should put in **all in**.
Always try to go for setups that you have **high percentages** and **experience** on. This way you know how to manage your risk and can size comfortably. As a rule of thumb, I like to say no more than 20% account in a play unless you're 100% sure (Not confident, sure). Also, **no need to buy your full size on the first add, buy in blocks** (Usually I do 1-10K shares blocks so I can easily calculate my P&L).
To finish with you should size according the **volume** of stock you're buying. What I mean is if you see that a stock is only trading 100K shares every day, you'll have troubles selling a position that is bigger than 20K shares. **Liquidity is very important**, it allows you to stay nimble, to get in and out quickly and with little damage. If you're trying to sell a big chunk of an illiquid stock, you'll make the price dip a LOT and lose a LOT of money. Keep in mind that catalysts will often attract a lot of volume, so if you're holding waiting for a catalyst, look at previous news and how much volume they had. **In a nutshell, look at the float, look at daily volume and size accordingly.**

After all this is done you should have something like:
Added 25% starter (10K shares) of XYZ @2.21$, swing it into 19 November catalyst.
2.01$ stop (52W low)
Targets 2.52 break for 2.7>3.1>4+

Or something like

Added 5K shares ABC @3.05$ for VTAP into EOD (End of day) 20EMA stop, 3.2 break (The level it has to break) for 3.5$ then VWAP. Will trim some on the way.

These are examples of plans. When you're starting out, I suggest **writing them down**, and when in doubt, just **read your notes with the plan on it**. A plan should be both **Static** (*Always follow your initial plan*) and **Dynamic**. With the additional information you're going to get you can update some levels, change your stop, your holding timeframe etc. **The dynamic part will come with experience**.

When a play has broken a key level for example you can use that as your new stop if you feel it becoming a support. This way, you're not losing money. If you see a stock struggling to break a resistance you can sell some before your initial target etc.

So here we are. You got your broker setup, you got the right indicators, the right ticker, the right plan, the right size, you're ready, now **how do you sell?**

How to sell and place your stop?

Selling is up to your style. Some like to sell the entire position when it reaches high enough, some sell bit by bit at key points, some use stops etc. Me I like to do something called: **trading around a core**. Basically, it's when you have your big position and you add and sell blocks at the planned key levels (*Add on supports, sell on resistances according to the plan you made*). Meanwhile you still keep a core position in case a big breakout happens, or if the stock starts going parabolic. This way, you **stack gains** on a position making it almost free. *If every time a stock goes to a key resistance, you sell 25% and make a 10c gain per share, once you do this 4 times, the stock has to dip 10c BELOW the add price for you to lose money*.

Once the move starts going, I like to use a **dynamic stop**. You could use this for everything and complement the selling at key levels with a bit of technical analysis. Let's make it easy. When your stock is moving it can be one of 3 things:
Reversing
Trending
Breaking out

Let's start by **Trending**. Usually, you add a stock on an **uptrend**. An uptrend symbolizes growing interest in your stock. The more interest it garners, the more momentum it gets, the steeper the trend will be.
I will qualify the first, oldest and less steep trend as the **soft trend** and the steepest, newest one as the **hard trend**. For trending stocks your stop is simple, **it's the trend**. Trend can be: a line, an indicator etc. we've already explained it previously.
If you're swinging it then the softest trend is your stop but don't hesitate to use harder trend as stop so you can book some gains on spike and reload when your trend is tested and holds.
On a day trade/scalp, the harder trend is your stop.

For **Reversing** stocks, it means stocks that were in a **downtrend** and break the downtrend getting ready to go on an **uptrend** (*Forming a sort of V or L, it's called a recovery*) your stop is simple, it's the **low of the downtrend the stock was in previously**. Usually since you're adding when the reversal is confirmed you're in higher. This will be your stop UNTIL the stock settles into a **trend** and then, well you just have to follow the rule about Trending stocks.

For stocks that are **Breaking out**, or are breaking significant resistances, well you want to first **confirm** the break (*Meaning make sure that the break is done so at least 3 candles OPENING and CLOSING above the resistance*) and once the break is confirmed, your stop becomes the **resistance** (*Or slightly below you basically use the resistance as support*) A stock that's breaking out is usually trending, so your stop is the **CLOSEST one to the current price**. and then you can reload on either support test or trend test depending on which is below.

Usually, a stock follows the pattern **Reversal>Trending>Breaking Out**. Couple that with your levels and you have very simple sell points. What I'm saying is basically you hold as long as the stock **moves in your direction** then sell when it stops. After that you wait for it to settle in a new direction to **readd and sell again**. Rince and repeat until the move is exhausted or until you're happy.

A common mistake people will do is to be in a hurry to sell. **You never sell for no reasons, you sell when the stock is done, or when you feel that the move is getting exhausted**. With all the previous level 2 knowledge you should be able to read the tape and understand it. Everything also depends on market conditions. Some days the market is bad, so you'll want to take less risks and sell earlier. On good days you'll want to let the plays run longer, look around and adapt.

All of these technics are part of your Money Management.

Money Management is the tip of the spear. It's what can kill you or make you a great trader. Any person with good money management skill will be able to turn a profit on any movement and in any market. As the name suggests, money management is the way you manage your money (*Yeah, duh!*).
It comes down to two very important things: How you **manage your risk**, and how you **control your money**. We touched on those notions all throughout the guide but I think it's important they have their own section.

Let's start with **risk management**. Risk is easy, it's basically how much you stand to lose on a given trade. Risk is **dynamic**, you must always **KNOW** what your risk is, and take it in consideration before making a decision.
Risk is dependent on:

The Market Conditions: Always look at the market as a whole. If you feel we're close to a bear period on the market or a crash, your stocks might suffer from it. Always ask yourself, is the price action in the stocks I'm in **correlated** to the market, or to a part of the market. If the answer is yes, you have to be aware of this part of the market and be ready to act accordingly by planning ahead.

The volatility and liquidity in your stock: Your ability to quickly get in or out of a position is dependent on the volatility and liquidity in the stock you are buying. An illiquid stock or a very volatile stock present a lot of risks. I'm not saying don't invest in them, but always **be aware of the risks**. *If you have a big position in an illiquid asset, getting out will force you to make the price drop and lose a lot of money. If a stock as a big spread, not buying in correctly (with a proper bid) will put your average price very high with little options to sell. If a stock is highly volatile, it'll go up and down 10+% on a whim making your portfolio take violent swings.*
Your job here is to **understand the conditions a stock price is in** and **adapt** your buying and selling strategy as well as your sizing depending on the risk that are presented by those two factors (Liquidity and volatility).

The company you're investing in: If you're buying stocks in a company, you'll be at a risk if the company goes bad. *It can go bankrupt, aggressively dilute the float, fail the launch of a key product, have a really bad ER etc.* All those events will **destroy the stock price** and put you at a massive risk. It is your duty, whenever you are investing in a company to keep yourself **informed** of the possibility of those events by digging the fundamentals and fillings of the company. Once you know what to expect size accordingly and plan for what can happen.
Depending on what you learn, you'll want to readapt the **size** of your position near big events. There is a saying in trading: **Buy the Rumor Sell the News**: *Lowering your average, or outright selling before an ER that*

could be bad. Not holding the complete size through data, leaving the ship before it sinks if you feel the company is going bad etc.
There are plenty of opportunity in the market, but you only have your money. If you lose it all you can't invest anymore so don't be greedy and keep your **risk** in mind going in those coinflip moments or betting the house on a bad company.

The type of play you're doing: Depending on the setup and time frame of your plan, your risk will be different. *On a day trade where you are scalping a 10% movement on a highly volatile 100%+ mover, you won't have the same risk as on a 3-month swing in a solid company*. This should impact the way you trade your setups. Always be aware of the inherent risk of the type of play you're doing and tweak your plan accordingly: *Tight stops on scalps, small sizing on parabolic or crazy moves, trading around a core on swings etc.* Correctly **identify** what play you are doing, and apply the corresponding **best strategy** for it as well as strategies to lower the risk (*Like taking profits for example*).

The You Risk: It's not often talked about, but **you are also a risk to yourself**. Your mental state, your mindset, your personal bias and preferences, they all create risks. Always be aware of yourself when entering a play. If you're feeling bad, depressed, tilted then maybe don't trade, or trade with a smaller size. **No need to blow your account because you are having a bad day, or week**. On the same token, if you really love a company, have personal feelings and opinions on a stock, maybe it's best you **put those aside and face the reality** of what you're investing into. **Date them don't marry them**, as the saying goes.
Know yourself and weave that into your plan so you don't become a risk to your own plays.

Understanding and being in control of every type of risk is a crucial part of any strategy and of building a plan. This will come with **experience**, you will be **blindsided** a lot while learning, think of it as paying for a lesson, but make sure you **LEARN** from it. Be aware of risk but not **paranoid** of it. Having a plan to default back to won't mean you'll have to use it. In the case you do at least you won't panic and run around like a headless chicken. Your risk will help you control your size and set the proper stops and profit taking zones thus giving you better control of your money management.

Money Management is what you do with your money. Money is like ammos in a gun: if you have too many, you're not doing any shooting, if you have none, you're defenseless. Your mission is: Saving Private Money (**Always protect your money**).

Your first tool is your **sizing**. We talked about this in the Plan section, and now that you're more familiar with risk management, you should understand how to properly size according to the risk you are in and trade around a core position to lower that risk with profits.
To complement proper sizing, you'll want to keep a diverse portfolio. **Don't put all your eggs in the same basket**. Don't be too exposed to a particular section of the market*. You'll want stocks that go up when the market goes down and stock that go up when the market goes up so that no matter what happens you're still profitable or breaking even*. If you're keeping stocks for a long period of time, **keep your horizons broad and diverse**.

Your second tool is **realistic trading objectives**. You should have gain objectives and max losses. Max losses are the **maximum** amount of money you allow yourself to lose on a given day, or on a specific play. This will help you stay in **control** of your trading. Once the max loss amount is reached, I find it often best to **step away**, refresh your mind, and come back either after a couple of hours or the following day. **You won't run out of days to make money in the market but you can run out of money**. Protect your mental state and

your capital with max losses.
Gain objectives on the contrary are here to ensure that you **stack** those gains. *A little math experiment if you will: There are around 250 trading days in a year. 100$ a day gets you 25K$ a year. 400$ a day is 100k$ and 4000$ a day is 1M$ a year. See how fast those small gains turn into a decent salary?*
So set yourself an **objective**. Once it's met, you can either walk away, or trade with a limited size. *Trust me on this, there are no worth feeling in trading than meeting your objective for the day only to let your account turn back red because you got greedy*. If you want to keep trading, I suggest making **multiple** accounts. Once you're done with one you jump on to next etc.
Gain objectives coupled with max losses will make sure that you turn into a **consistently profitable trader**. *If your max loss is 500$ And your gain objectives is 800$ and you reach your max loss 50% (That's a lot) of the time you're still making 37.5K$ a year*. These tools will give you **control** on your trading. I suggest **tracking** your daily performance too (*some brokers do it for you, or you can setup a simple excel page*). When you're having doubts, look at the bigger picture, you'll see that you're better than you give yourself credit for.

The third and most important tool is **stops**. A great trader friend of mine once told me that he only became consistently profitable once he started using stops. They can be **hard** stops *(The stop order from your broker*) or **mental** stops (*Telling yourself when it goes to X price I'll sell. If you can't respect mental stops use hard stops*). We touched on this on the previous section (*How to sell and place your stop*). Stops will **protect** you from losing big on unforeseen problems. They will help you keep within your max loss objectives and more generally stop you from **wiping out** your account completely. They'll also ensure you don't let a green play turn red (*If your stock is going you just have to set a hard stop a couple of cents above your entry and you can't lose*).
How tight or lose you set your stop depends on you and your strategy, but please **use them, respect them and stay safe**.

As you can see all those tools are **fairly simple**. The strategy you use for risk management and money management is entirely up to **you**. I've given you the basics, the things you have to consider, simple notions that you can easily apply to your everyday trading.
Build your own strategy, test it against the market and once you've found the one that works **consistently** and you know how to **adapt it** to the market, you're set on becoming a profitable trader. Every great trader I've ever met has one, so work on building your own as well as building the **discipline** to follow it ASAP.

Adaptation is the most important trait you should learn

The market is a living beast. It moves in themes, sectors, seasons. Every day is different but every day is the same. Through this guide, while keeping the notions broad, I've given you my take on it, my experience on how to trade it. But if you want to make it, you'll have to find your **own style**. Every trader I work with shares common basics, but everyone has a style. This is not something you'll learn overnight. It'll take years of refining and tuning and finding what suits you, what patterns you enjoy trading etc.

Once you find something that works for you, **ADAPT IT to the market**. Adaptation, that's the key word. It's an everyday struggle. You have to adapt your plans, when you buy, when you sell, how you sell, how you trade. *Putin declares war on Ukraine? Market just changed. US government passes a new law on pot? Market just changed. Federal bank passes new policies? Market just changed*. Doesn't matter if you predicted the events or not, you are always left to deal with the **consequences** and adapt to the way the market changes. It can even be localized to your stocks. *Low floats are becoming trendy? Adapt to it and* *start trading them. A big twitter financial guru (FURU) started pumping your stock? Adapt to it, learn about the FURU habits and see if you should sell and get your profits in case of a future dump, or keep riding it with the newfound volume he brought.* Often you will see that the market **repeats** itself with some slight difference.

To keep track of all the changes and how to best deal with them you have a couple of options:

First is to check the **pulse of the market** every day and to keep a track of it. Look at big **indexes** like S&P 500, Nasdaq, Dow Jones. Look at other countries too to try and get a global picture. Keep yourself updated on **News**: not just economic, but every kind of news that has to do with what you're trading. This can be through *newspapers, specialized twitter accounts, Podcasts, Tv programs etc.* doesn't matter as long as the news source is **FAST** and **RELIABLE**.
Keep yourself updated on the sector you're trading. Is the sector hot? **Why?** *If you're trading banking stocks for example and Goldman Sachs has fantastic quarterly Earnings report, this could be a great sign and make other banking stocks go up.*
In the morning and the evening look at the **top gainers of the day**, you can use a screener, your broker etc. If you see many big percentage movers, maybe the market is hot, enquire on why those stocks are moving and try to find similar setups.
Everything in the market has a reason. The question you must always ask yourself is **WHY? Why is this moving, why is AMZN having a nice quarter etc.** Ask yourself why and **dig for answers**, the more you learn the more you'll be able to adapt.

Second is to **keep a record** of what you're trading. Every Week end, I suggest you try and write down a **plan** for the coming week. Same thing at the start of each trading day. Then as the day progresses, take **notes** on what's happening, what trades worked why they worked what trades didn't and why they didn't. After some time, you'll have a sort of **trading journal** that you can go back to and read. This will help you because market always comes back to the same basics and what worked some time ago may **help you today**.
In the same vein, try to keep **watchlists** that you update regularly. Sort stocks by theme, sectors and peer plays. Stocks that go together, that are **correlated**. This will help you a lot to adapt because you can always just jump back to a watch list and have a direct visual on what's working.

Third is **don't trade alone**. Find a group of likeminded traders you can trust. Find a mentor you can ask questions to, and try to use his experience to complement your own. Trade all together as a **group**. Setup a Discord room, a WhatsApp group or whatever mean of communication you like. Bounce ideas off of each other, teach each other things and share this long journey that is trading or investing. The trading group will act as a sort of journal because you can always look things up. Different set of eyes and different opinions will look for different things and you'll have a **more complete view of the market**. This will also help tremendously with moral and mindset. If you have a bad day share it maybe other people can help or can confirm that today was indeed a bad day. **Help each other and you'll progress very fast**.

Following these simple guidelines will help you a ton **in the long run**. It's the simple things you'll do every day that will stack up and make you a great trader years down the line. There are no shortcuts, but through these methods you'll be ready to face whatever the market throws at you while being calm and maintaining a **good mindset**.

Let's talk about Mindset

The single most important thing that'll help you improve as a trader, and more generally as a human is mindset. There is no right mindset, but they are a couple of qualities and traits you have to have to become a successful trader.

First and foremost, don't be **emotional** when it comes to trading. Stocks and money don't care about your feelings, so your feelings shouldn't care about stocks and money (*I have a feeling this sentence isn't English but I don't care*). Even if you do DD, even if you love the ticker, don't get **emotionally invested** in it (*the infamous date them don't marry them*). Stick to your plan no matter what, and don't let your emotions into it. Don't set unrealistic expectations on stocks. All the stocks you are going to trade have possible genius products in their pipelines, they all have Google/Apple potential, but it doesn't matter until they release it and market accepts it.
Same thing applies to profit and losses. As long as the money is in your trading account you have to be emotionally prepared to **lose it all tomorrow**. Secure those gains when you can, cut those losses when you should and most importantly, take money out of the account and **PAY YOURSELF** every once in a while. The moment you can sell for a loss without batting an eye, you're a trader. Selling isn't the end, you can always rebuy the stock at a lower average, or even at a higher average depending on momentum. But you can only take those decisions without second thoughts if you're not emotionally invested in your money. *Disclaimer: I'm not saying you shouldn't care; I'm saying you shouldn't mix stocks and feelings*.
Last but not least is not **getting caught up in the moment** and always keeping your **risk** in mind. I've seen so many people getting wiped out because they try to **make back a loss in one trade** taking riskier and risker positions. You're having a bad day? You're tilted and feeling like making stupid decisions? **Close your broker walk away**. There is always tomorrow, or next week, or next month. **You trade when you're at your best**. If you want to keep going, keep in mind what you're willing to lose on a stock, and how much you could lose on a trade. *Stock is up 50% and was 90% lower 2 weeks ago? So, your risk is 50-90% of your money. What is your reward? What are the guarantees? Are all questions you should ask yourself before you FOMO in*. If you're willing to take the chance of losing 75% of your money for a 10% gain, **casinos offer better odds**, I'd suggest gambling there.

Next is **flexibility and adaptability**. We just talked about it but it's worth repeating: You **HAVE** to be both flexible and adaptable in all circumstances. This should start at the **planning period** when approaching a stock. You have to prepare for every eventuality, every movement that can happen, and then navigate them like a salmon navigating a river (*This is the worst metaphor I could come up with*). Don't get stuck because you don't like to short or you don't like this ticker etc. **adapt to what is working at the moment**. The method you're using won't always work, market will not always be the same, sectors will keep on moving, stocks keep on evolving and newcomers keep on appearing. Don't stick to your guns, keep the basics in mind and adapt to everything you can so you're always on top of your game. **A good trader is someone that can take advantage of any opportunity and make money**. You think a stock was going up and it's going down? Find a way to capitalize on that instead of beating yourself up, go with the flow because you can't dictate it yet.

Another very important thing is to stay **curious**. You need to understand what you're getting into. You are going to be trading bio stocks, tech stocks, AI stocks, Oilers, Shippers etc**. You have to be willing to learn a bit about each industry**. The more you know the more you'll understand the impact of a news on the stocks, and the better you'll be able to do DD. The same applies to trading methods, always try to learn new things. Be it technical analysis technics, new ways of trading, new products to trade etc. The internet is infinite in its resources and most of them are free. Go ahead and google all you can, read books, ask other traders that are good in certain domain what their tips are etc. **Never be afraid to learn more**, the more you know the more **control** you have on your trading and control is everything (*Plus it'll make you seem smart at dinners when talking about the world*)

Don't be **afraid**. Playing with money is scary. The unknown is scary. But never be afraid to trade. Your gut is telling you not to take a trade don't do it, but if there are no reasons to be afraid, **just buy the stock**. Rely on yourself, your knowledge to navigate what's coming and you'll be **FINE**. As my mentor would say: **Never be afraid to make money**, you have to try or you'll never succeed.

Trade on your terms. You can't see everything, be a part of every move, you're not **omniscient**. At the end of the day, you'll have to trade what you know. Always trade on your terms. If the setup suits **YOU**, works for **YOU**, if you feel **comfortable** with it, then go in. If not, just sell and wait for the next opportunity, or pass on it if you're not in. No need to be **over eager**. There will be plenty of opportunities in a year to make a lot of money. **The secret is not to lose the money you have in between these opportunities**. Don't take **bored** trades, don't take **forced** trades, wait for the right setup to come to you. It doesn't have to be perfect but it has to be yours. If the day is looking bad, walk away come back the next day. You can stay and watch, but control yourself. You are your own **boss** so be a good one.

Be **smart**, yes, that simple. Don't fall for obvious traps, don't let yourself get caught in scams or people selling you dreams: **if it's too good to be true, it probably isn't**. There is a great quote I love from the movie Margin call (Which I recommend you watch if you're interested in trading): "*There are 3 ways to make a living: be first, be smarter, or cheat"*. If you're not first and not cheating, then you have to be smarter. Stick to your tools and use your brain.

To finish with, **be humble**. First in front of loss and gains, when you win big or when you lose on a trade, always ask yourself **why**. It's not luck, it's not external factors: **it's you**! You messed up! And the best thing you can do now is to understand why so you don't repeat it.
You also do that on a big win, **how did I win?** What did I do right this time so I can replicate it? Every trader wins big, every trader loses, as the saying goes *even a broken clock is right twice a day*. What will make the difference is your willingness to accept that **you are the root of all your problems and the source of all your solutions**. Humility is also never being afraid of not knowing something but instead be willing to learn. *Bitcoin is moving a lot and you don't understand a thing? Don't jump on the ship blind, accept that you don't know, get informed and then you'll be able to act*.

And there you have it: Don't let emotions get the best of you, be smart, plan your moves, educate yourself, be flexible, adapt to every circumstance, don't be afraid to jump in, but always on your own terms and be humble about what comes. You won't win big by being **lazy**, it takes **hard work and dedication**. Understand that you're only human, come to terms with your **limitations** and learn to work around them. The rest will come with time and repetition.

Final words:

Becoming a profitable full-time trader is a long and arduous route. You'll first need to understand the world you're in, not the trading world, the actual world. Second step is finding your niche, what works for you, and turning that into consistent profits. You'll have to work hard and learn constantly. You'll spend days building watchlists, searching for bottomed charts, the right set ups, understanding when to buy and sell and how momentum plays on each stock etc. You'll have to spend nights and sometimes week-ends digging through news and filings from a company when doing your due diligence. It'll be stressful, some days will be bad, and some days will be good. But what awaits you at the end of this long road, if you manage to reach it without getting wiped out on the way, is financial freedom and a particular set of skills that you'll be able to apply in every part of your life. It's not for everyone but if you took the time to read this guide, I think you're willing to give this a chance. I hope it works for you, good luck and get to work.

A huge thanks to all the traders that made this guide possible be it through their guidance or their help. This community can be amazing when it wants to, so let's all thrive to help each other's and be better.