

# Risk Management

## Topics Discussed:

1. Account sizing;
2. Examples of sizing;
3. Setups.

A lot of traders see their account as money ready to be invested. Which it is but picture it as a chart. Think about the last time you seen an ascending chart. Say Amazon, Chipotle, Google, even Tilray, prior to the parabolic move. Notice the dips and often large down moves.

Pullbacks are inevitable for a larger time frame ascending chart. However, the trend reverses when you have a massive drawdown. This loss will often be followed with heavy emotions to just make back the money lost. The larger “runners” or continuations are with the fewest amount of these massive drawdowns. That’s why account sizing is extremely crucial. Many times, when push comes to shove, greed come to risk management, many choose greed. That’s a huge mistake and I’m sure you can see why.

It takes time for big moves in anything to happen. Whether growing an account, starting as business, a parabolic penny stock to even trying to push a boulder down a hill. What I’ve found is position sizing is a big one with helping to prevent those massive drawdowns.

Find the setups/plays that you experience the most success rate. Well Joe, how do I know if a setup is right for me? You play it with very small size. Begin to trade with small size and keep a result log of your win rates. You’ll see the setups you perform best in. This is the only

time when win rates matter. Once you have a list of the setups, you then size in accordingly with less size for the less probable and more size for the higher probable.

Once you have these, you now know what setups have more risk. So, if you want to play the high risk momentum play, you can. Just make sure it's not totally ridiculous, it's not often and you're using a proper exiting strategy.

When you're in a position, you want to be taking partial profits at shown resistances, having a hard stop set automatically and setting alerts. This will reduce the risk even more when in the trade. Once you take profits, and raise your stop loss, setting alerts for the higher move and walking away is an amazing way of not getting FOMO. So, either you get stopped, in profit, or get alerted for more profit.