# RISK MANAGEMENT 101

1. **Assess the Risk of the Trade:**

Use your indicator set: Technical analysis is key. The technical analysis is there both to give you safe, low risk trades. The micro and macro picture must be considered. For example, if you're a long biased trader, The best entries will always be when the indicators all line up bull, which means you get a buy signal arrow with the momentum and TTM both bull and above the 21,34 and 55 emas. The strongest moves are the moves where stock is holding the &ema and the TTM squeeze is increasing bull (light blue). Always look for multiple signals lining up for both buying and selling. To avoid high risk trades, only take trades above the 55 & 34 ema. Never take a trade if the momentum is negative. If the TTM squeeze is yellow (slightly bear) and you have other bull signals, then that is potentially a trade, but it's still not safe so set a tight stop or go in with a starter size. The safest trade will always be when the TTM squeeze & momentum is bull (light blue). **Define your risk:** Always know how much you're risking before you enter a trade. For example, if the hold number is at 2.50, the stock is holding just above 2.50 while having bullish momentum, bullish ttm, above the 8/21 ema. So if I take an entry at 2.55 and the hold number is at 2.50, straight away I would be risking below 2.50.. So a 2.49/2.48 stop loss. Which would be a 7c risk with a 2.48 stop loss. I have also said to use the moving averages for your risk.. for example risking below the 8 or 21 ema. **Assess the risk-reward ratio:** Evaluate the risk-reward ratio before entering a trade. Let's say you're considering a trade where the potential profit is $500 and the potential loss is $200. In this case, the risk-reward ratio is 2.5:1 ($500 profit / $200 loss), indicating that for every dollar risked, you stand to gain $2.50.

2. **Utilize Stop Loss Orders:**

Implement stop-loss orders on every trade to limit potential losses and keep yourself from trading with emotions. Never put a stop loss at just a 10c stop, or a 5c stop. Your stop losses should be based on Support or below your moving averages. So put your stops below the most recent support, or below macro support (bigger picture), for example below the pre market high or put your stops below the moving averages, for example below the 8ema, below the 21ema or the 34ema.

3. **Identify Potential Sell Targets:**

When looking for potential sell points, always look to sell at resistance levels I mention or at resistance levels you can see, or even at macro resistance levels, for example pre market high, high of the day, previous days high etc. But always be realistic with your sell targets. Not only this, but always take what the trade gives you, if there are multiple sell signals below your desired sell target, then make sure to react accordingly and exit your position.

4. **Calculate Position Size:**

Determine the appropriate position size based on your risk tolerance and the distance to your stop-loss level. Do not trade using a share lot that you aren't comfortable with. You will know you're uncomfortable when you're afraid to enter or exit.

5. **Control Emotions:**

Emotions can cloud judgment and lead to impulsive decisions. Stick to your trading plan and risk management rules. For example, if a trade is going against you, avoid the temptation to move your stop-loss further away in the hope that the market will reverse. **Hope is NOT a strategy!** You should never look at your profit and loss (p&l), especially during a trade, this will just bring your emotions out and you will make decisions based on emotions instead of what the chart is actually telling you. Trading on emotion will affect your discipline, which will just lead to disaster. Emotional detachment is key. Do not overtrade or revenge trade. The less trades, the better. The ONLY time you should make more trades is when you are in profit and you are protecting that profit.

6. **Set a Daily Profit Target:**

You should always have a realistic profit target for the day which you stick to. If you use 1,000 shares then a realistic profit target for the day is $250/day. This can be achieved with 1 25c scalp, or 1 10c scalp with a 15c scalp, or even 2 10c scalps & 1 5c scalp. Adjust the realistic profit target according to how many shares you trade with. If you achieve your profit target for the day, then you protect that at all costs. Which means shutting your trading system down and muting all YBI discord notifications.

7. **Regularly Review and Adjust:**

You do this by journaling your trades and analyzing them weekly. See 🔑│education on the criteria to journal your trades. Continuously monitor your trading performance and risk management strategies. Analyze both successful and unsuccessful trades to identify patterns and make necessary adjustments. For instance, if you notice that certain setups consistently result in larger losses, revise your trading strategy accordingly.