WARRIOR TRADING

CHAPTER 1. INTRO TO DAY TRADING

PART I: INTRO TO MY SMALL CAP DAY TRADING STRATEGIES

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15 Chapters of Learning...

Chapter 1. Intro to my Day Trading Strategies

Chapter 2. Risk Management

Chapter 3. The Right Stocks to Trade & Building a Watch List

Chapter 4. Daily Chart Patterns

Chapter 5. Intraday Chart Patterns

Chapter 6. Level 2, Tape Reading, and Hot Keys/Buttons

Chapter 7. Gap and Go Trading

Chapter 8. Momentum Trading

Chapter 9. Breakout Trading

Chapter 10. Reversal Trading

Chapter 11. Short Selling Momentum Stocks

Chapter 12. Stock Scanning

Chapter 13. Trade Management, Psychological Factors, & Recovering from Loss

Chapter 14. Trading Plan & Running a Business as a Day Trader

Chapter 15. Overview of Trading Tools

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House Keeping Items

Step 1. Watch EVERY Chapter of the Warrior Starter. The Warrior Starter is the PREREQUISITE to this class

Step 2. Login to the Day Trading Chat Room as often as possible to watch me trading.

Step 3. Begin using a trading simulator as soon as you feel comfortable to start testing the waters.

Step 4.DO NOT TRADE WITH REAL MONEY until you've completed the Pre-Trading Checklist at the END of the Warrior Pro Course.

Step 5. Do NOT Mirror trade with real money (blindly following)

Students who skip classes, don't follow the rules of the strategy, trade the wrong stocks, and trade with real money before their ready are students likely to fail. Don't be like that!

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Prove you can be profitable
BEFORE trading with real money

Opening a new account is exciting but you shouldn't start actively trading

until you have already PROVEN that you have a successful trading strategy.

This means trading first in a demo account.

As you work your way through this class, it's a great opportunity to practice

the strategies that we teach in the simulator.

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The process of becoming a Day Trader

Step 1: Learn the terminology & the core concepts.

Step 2: Learn a trading strategy.

Step 3: Learn advanced concepts & how to use the best tools.

Step 4: Write a trading plan.

Step 5: Begin trading your planned strategy in a trading simulator.

Step 6: Review your simulated trading metrics.

Step 7: Begin trading with real money only once you have proven you can be profitable in a simulator.

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Today You Will Learn

1. Overview to My Momentum Trading Strategy

2. The Importance of Float

3. Why I don't trade Penny Stocks even though they can make big % moves

4. Finding your place in the market

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1. Intro to My Momentum Trading Strategy

The strategies I primarily trade are momentum trading strategies. That means I look for stock moving up quickly, and look to jump on the momentum. I will teach several subsets of this strategy and then I will also teach you the Reversal and Short Selling strategy for trading the back side of momentum, as it comes back down.

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My Momentum Trading Strategies

1. All price ranges as long as the stocks are moving at least 5-10% are valid, however, in order to maximize growth on small accounts, I'll focus on stocks under $20 and with floats generally under 20 mil.

2. Buying high and selling higher

3. Using tight stops (max loss 20-30 cents in 99% of trades)

4. Adopting a breakout strategy, quickly selling ½ once you're up 10-20 cents and then adjusting stops to breakeven. Adding back on 2nd or 3rd setups, again selling ½ once you're up 10-20 cents.

5. Increasing size once I have a profit cushion on the day, decreasing size as soon as momentum slows down.

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Anticipate the Breakout then
Take Quick Profit through the Breakout

Anticipate breakouts (1/2 dollars, whole dollars), entry at 3.45, double 3.48, sell ½ 3.55, 3.62, adjust stops to breakeven. Add back 3.90, double 3.98, sell 4.08, adjust stop to breakeven, etc. These types of breakout trades are valid only on momo stocks.

Be Fast. Be VERY Fast. You can always slow down later if you need to, but try being even faster than you think you should be.

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Be Willing to Be Aggressive

Momentum Trading is an aggressive strategy that does require precise entries, an ability to read Level 2 and Time & Sales to see strength or weakness.

The small cap short selling strategy & the large cap long and short strategies are bit a slower paced. Both involve waiting for reversals and watching stocks as they approach resistance points to take positions. This is what we call more of the "sniper" strategy: calmly waiting for your target to be right within your sights.

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Live Trade – XRF Anticipating Break of ½ Dollar and High of Day Squeeze

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2. The importance of Float for account growth stocks

Stock with floats under 20 mil are among the stocks that can make the biggest moves in the market, not just 20-30%, but 50-100% and more.

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Lower float = greater imbalance between supply and demand

It's important to remember that we're trading in a closed market. This means when we buy shares, we're always buying from a seller, and when we sell shares, we're always selling to a buyer.

When a company has its Initial Public Offering, they release a fixed number of shares onto the open market. This becomes the company's "float". The float is simply the number of shares available to trade.

We are all trading out of the same pool of shares, although sometimes large quantities of shares can be purchased by banks and institutions, which makes them unavailable for trading. That means if a company has a 70% institutional ownership, the amount of the float that is actually available to trade on a day to day basis is only about 30%.

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Float continued

The reason why float is important is because this represents the SUPPLY of shares for a stock. If there is a very limited supply (less than 50 mil available shares), the stock can move very quickly if there is a high level of demand due to breaking news.

In contrast, a company like Bank of America, has a float of over 10 bil shares. In a practical sense, this means a stock like Bank of America will move very slowly. Even great news won't likely result in massive moves.

As a Day Trader, we will primarily be trading stocks with low floats of under 50 mil shares. However, there will be times when the combination of high institutional ownership and exceptional news will make a higher float stock worth trading.

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Low Float Level 2

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Higher Float Level 2

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3. I love Volatility, but I don't love Penny stocks...This is why

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"Officially" Penny Stocks are stocks under $3.00

The SEC Considers Penny Stocks to be any stocks trading under $3.00 per share. By that definition, I often trade penny stocks.

I focus on trading stocks between $1.50-10.00.

These stocks meet the listing requirements to be on the NYSE or Nasdaq, and with strong headlines, could work their way up to the teens, twenties, and higher.

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[1]

Minimum Tick Differences Between Under $1.00 and above $1.00

Stocks that trade over $1.00 per share trade in 1 penny increments.

Stocks that trade under $1.00 per share trade in increments of 1/100th of a penny. That means a 80 cent stock might look like this .8198 x .8199

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1   Update with LS Example
              Ross Cameron, 5/17/2020

Penny Stocks

NYSE Requires all companies to keep their stock priced above $1.00 per share. If a stock falls below $1.00 per share a company will have a certain amount of time to get the stock back up above $1.00 before they risk a trading suspension and getting delisted from the exchange.

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Reverse Splits

Reverse Split to keep stocks above $1.00 and maintain NYSE/Nasdaq Compliance.

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OTC Markets

Once a stock has been delisted it will move to the OTC Markets.

Often times stocks will initially become listed on the OTC Market and never appear on national exchanges like NYSE or Nasdaq.

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OTC Market Tiers

OTCQX
The Best Market

OTCQX – Best Market
- These stocks face higher financial standards, and must demonstrate compliance on multiple fronts.

OTCQB
The Venture Market

OTCQB – The Venture Market
- Companies must be at least .01 and cannot be in bankruptcy. There are also requirements for annual reporting and certification.

Pink – The Open Market
- The rest of the stocks that don't meet OTCQX or OTCQB standards. These stocks are divided into subcategories

Pink
The Open Market

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Traditional Penny Stocks

Traditional Penny Stocks trade between .0100 and .9999

They trade in increments of 1/100th of a penny but they continue to trade at least above 1 penny. We often see traditional penny stocks that are still NYSE and Nasdaq listed. The companies may not have received a delisting notice yet, or are working to take steps to get the price back up above $1.00.

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Traditional Penny Stocks

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2   Update with LS example
            Ross Cameron, 5/17/2020

Sub Penny Stocks

Sub Penny Stocks trade between .0010 and .0099
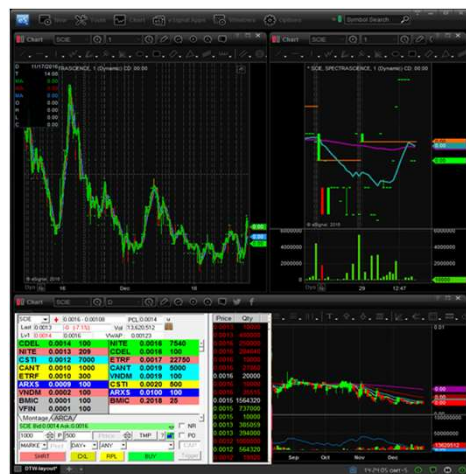
31

Trip Zero Stocks

○ Trip Zero Stocks are priced with 3 zeros.

○ These are stocks priced between .0001 and .0009 per share.

○ As you can imagine these stocks are often used as vehicles for manipulation.

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Trip Zero Stocks

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Volatility but with less risk than "traditional" penny stocks under $1.00

By focusing on NYSE and Nasdaq listed stocks, I reduce the risk of trading stocks on the OTC market.

By focusing on stocks between $1.50-10.00 with floats of under 50mil shares (preferably under 10mil), I benefit from volatility.

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3   Update with LS
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From $2.00 to 3.50

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From $1.00 to 2.00

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From 2.00 to 6.80
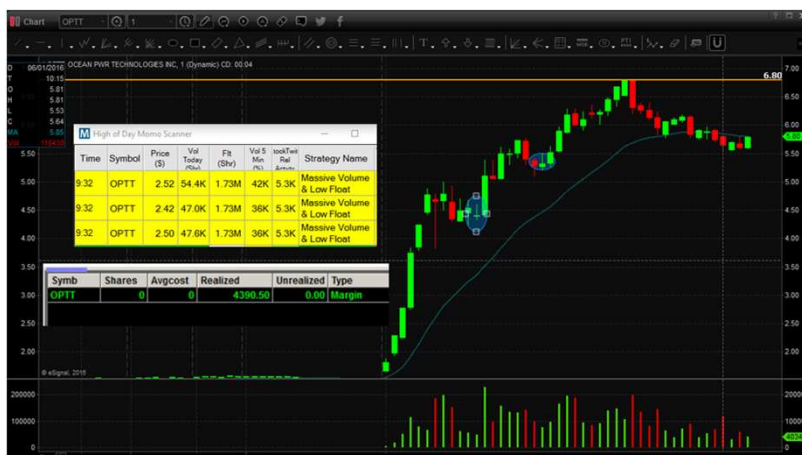
From $2 – 9.00
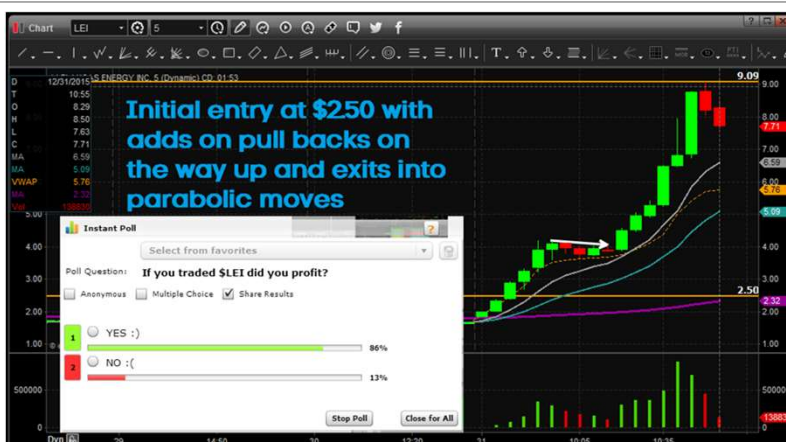
* Results are self submitted by students and have not been independently verified.

Reducing Risk

Although many traders feel comfortable trading OTC stocks, I prefer NYSE and Nasdaq listed penny stocks.

For traders who prefer OTC markets, it's just important to understand the different tiers and be cautious with the amount you invest.

I think trading the NYSE/Nasdaq stocks is a safer, and more scalable penny stock trading strategy.

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4. Finding your place in the market

Where is your place in the Market?

Are you good at spotting reversals? Consolidation Breakouts? Swing Trades?

Track all of your trades and review the data to see where you excel and where you fall behind. You might be surprised with what you find!

Most students start with about 30% Accuracy. You need to practice trading to see where you have a natural aptitude.

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Be good at 1 Strategy

Learning to Tread Water in the market.

If you can be good at just 1 setup within 1 strategy you can be successful.

Just wait for that setup and scan aggressively for that setup.

Get good at 1 setup, then branch out.

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Is trading like fishing?

1. Sometimes fishing / trading is great, sometimes it's not, we can't control this.
2. There are greater influences that our out of our control (weather, mechanical failure vs economic conditions or technical failures)
3. Trading Losses vs losses due to repairing equipment, having to wait out a storm, etc.
4. Being self employed means learning to get through the hot streaks and the slumps with composure.

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Steps you can take today

These are steps you can take today as you begin your journey.

1) Start tracking all your simulated trades in an excel doc. You can download mine on our website.

2) **Stop trading real money** until you've proven you can be consistent

3) If you have current trading history, import that history to a website like TraderVue to pull your stats. Data mine this information!

4) I'll say this a lot during this course, don't be a follower. Don't just follow what I trade, or what anyone else trades. Build your watch list, and take the trades on your own. If we are trading the same stocks and the same setups, let that be confirmation that you are looking at the right stocks.

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CHAPTER 1. INTRO TO DAY TRADING

PART II: A BEGINNERS DAY TRADING PLAN FOR WHILE YOU'RE GOING THROUGH THE CLASSES

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A Beginner Trading Plan – Practice While You Learn!

In the past I didn't cover Trading Plans until the end of the course, however, I'd like you to start practicing as soon as your comfortable, so I'm going to give you a beginners trading plan for **SIMULATED TRADING**

This is the beginning of your multi-month trading plan that we will refine as you progress through the course. We start with $50 of risk per trade and slowly increase that to $200 risk per trade.

I do not expect you to be making money until you finish the class, so DO NOT be discouraged if you are losing. You are gaining experience!

We aren't teaching you to get rich quick, it takes hard work, but we are teaching trading skills that can be used for a lifetime.

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Trading Plan

For the next several months, you must follow a strict trading plan.
Your trading plan will evolve as you gain more experience, learn my strategies, and find your own aptitudes.

You will learn the strategies to trade in the coming days and weeks, but between now and then, I want to set a plan for how you'll trade in the simulator.

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Daily Mental Checklist

Before trading each day you need to go through the following checklist

1. Did I sleep well last night and do I feel well rested?

2. Did I eat well (low sugars to avoid sugar crashes while trading)?

3. Do I see 1-2 stocks pre-market that I like?

4. What is the condition of the overall market for my strategy.

5. How has my trading been in the last few days?

6. Based on my answers to the above questions, what's my max share size today?

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Set Daily Risk & Profit Goal based on Mental Checklist

I have strict max losses on my account and per trade. However, there are days I'll take more risk, or less risk, (within my comfort zone), based on my daily mental checklist.

Beyond the internal checklist, the external checklist (strength of the market) is very important. Even if I've done everything right, if the market is slow, I have to take it easy.

Trade the market you're in, not the market you want to be in. I ask myself, is this a $500/day type of market or a $5,000/day type of market?

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Trading Plan Part 1

Strategy, Price Range & Time of Day: We will discuss strategies later in the course, but for right now, WHILE YOU ARE IN THE SIMULATOR, you can practice trading stocks I have on my watch list each day.

Max Risk per trade: $50

Example 500 shares with 10 cent stop, 250 shares with 20 cent stop, 125 shares with 40 cent stop.

Full Size: 1000 shares, doubling to 1k and adjusting stop to breakeven.

Profit Target per trade $100 (500 shares x 20 cents)

Daily Profit Target $100-250/day

Trading Plan Goal: to make approx $300-500/week in a trading simulator while you are practicing.

Number of Trades per day: While you are practicing, you should trade as much as you can. As you prepare to go live, you will want to reduce the amount of trades you take, but for the sake of gaining experience, more is better.

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Trading Plan Part 2

What price stocks will I trade: ____

What float will I focus on: ____

What time of day will I trade: ____

When will I stop trading: ____

What type of entries will I focus on: ____

What type of entries will I avoid:____

What is my primary strategy: ____

What are my secondary strategies: ____

You will be able to fill in this information as you go through the classes.

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4   I need to make sure this is in alignment with trading plans in the end of the course
Ross Cameron, 5/17/2020

Trading Plan Part 3

How can I minimize my tax liability?

How much of my trading profits will I try to save for retirement?

How much of my trading profits needs to cover my cost of living?

Will I trade in my personal name, an LLC, or an S-Corp?

How will I account for my expenses related to trading?

What will I do if I experience a large loss?

How will I prepare for the inevitable slow periods that come with trading the markets?

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Trading Plan Rules

These are mine (yours will be different depending on which strategy you adopt)

1. Max Loss = -$2k-5k in 1 day depending on market strength

2. Max # of Consecutive Losses = 3 red trades in a row.

3. Do not trade Large Cap stocks, breakout setups don't work well and I'll lose money.

4. Do not trade 3rd pullback don't trade it at all if I'm not already green on the stock.

5. Do not buy after 3rd halt if I'm not already green on the stock.

Punishment for Breaking Rules = Running 5 miles.

Helpful Tip: Initially, you may have very few rules as you want to practice, that's okay!

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Daily Routine: Maintain your Trading Records

You can maintain trading records in an excel doc and by regularly exporting trades from your broker to TraderVue.

Keeping trading records is critical. This allows you to build up data that you can data mine in the future if you have a slow patch or simply want to improve your trading.

I update my trades in my excel doc while I'm trading and for trades where I added, sold and added back, I use estimated averages. It doesn't need to be perfect.

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Trade in the simulator until you have 1 month of profitability

Prove to yourself that you can choose the right stocks, the right patterns, and consistently come out ahead.

Right now, it's not about how much you make, it's about building consistency and confidence. You're in this class to learn, so do it the right way! Trade in the SIM.

Once you are consistent (profitable) with good accuracy and good profit loss ratios, you can advance to Phase 2 of the Trading Plan.

Towards the end of this course we will discuss the Trading Plan for trading with real money including taxes, account types, and corporate structures.

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Set Realistic Goals & Don't Expect to Never Lose

Remember, losses are the "costs" of this business, it's no different from any other business.

Later in the course we will discuss emotional conditioning. It's a critical skill that will help you become a successful trader. For that reason, you should not trade with real money until you've watched this class. If you are a beginner trader who is not currently profitable, do yourself a big favor and use the Simulator for the next 3 months.

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Survive Until You Thrive

As a beginner trader what should you expect?

Don't expect to be profitable after 1 month of trading in the SIM. Everyone learns at a different speed.

In this market as a beginner, it's just about keeping your head above water. If you keep your head above water long enough, you will learn to swim. I've never met somebody who tried to trade for year and years and didn't eventually get it.

Our job is to speed up the learning curve so you don't have to spend 3-5 years practicing before you start generating real profits.

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If you fail at first, try again

If you need to spend 6 months of SIM until you see the percentage of success and the profit loss ratios required to be profitable, that's okay. It took me YEARS before I became consistent and I wouldn't change it for anything in the world because now I have refined a skill that will carry me through the rest of my life.

As long as you are practicing your trades, and tracking your trade logs, you can gain experience and gain insight about what you need to do to improve your results.

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note-taking

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