

MY TRADING METHODOLOGY - WHITE PAPER



www.modestreturns.com

Introduction :

My name is Chandra Sekhar. I have done thousands of trades and finally have granularized my methodology to replicable components. I do believe that following the steps should help you to become a better trader.

Disclaimer :

This is not financial advice and is purely my trading methodology. Please learn it and use it appropriately. This is not a recommendation to buy or sell anything.

Assumption :

- The pictures in this document are from Thinkorswim™ from TD Ameritrade.
- Unless mentioned, The examples assume that the position is long (stock price is going to go up)
- Few terminologies like EMA (Exponential Moving Average), ATR(Average True Range), Hull Moving Average are used. These are commonly used technical indicators. Google them up if you need more details about it.
- The writeup is primarily targeted for Options trading but general enough to fit stocks as well.
- There are few custom think scripts that were paid for and the copyright owner will need to be reimbursed if you chose to get it. The concepts behind these scripts are explained, in case you chose to write your own code.

What is in it for me?

- I want you to be a successful trader. However, A subsection of the readers of this white paper will have limitations on not able to trade on their own. I want to be their first choice for becoming an investment partner.
- **I am looking for an investment partner(s).** If you do not have the time or inclination to be an active trader, but want to partner with an active and experienced trader, **please reach out to me.**

- In trading, the effort required to identify a position to enter, manage exit is nearly the same whether you are buying Hundred Or Thousand. Not everyone has the same time and patience to do it. If you are one of them, **I want to talk to you.**
- I wish you the best if you can do it yourself, and hope this document helps you in that journey.

ENTERING A POSITION

The only variable you can control in the market is at entry. Make an objective decision as to why you are entering the trade. *Remember, every trade looks promising at entry.*

CHECK ONE :

Once you have decided that the market is favorable for a long position, and a particular stock looks interesting to the upside, do the following checks



Notice the Blue line is above the Yellow (4 Over 12)

Make sure the momentum is in your favor :

- Is the 4 Period Exponential Moving Average (EMA) moving up?
- Is the 12 Period Exponential Moving Average (EMA) moving up?
- Is the 4 EMA Above the 12 EMA?

If the answer to all three is “YES”, the symbol has passed the first test and can be considered for entry.

CHECK TWO:



Understand if the momentum is in its early or late stages :

- Is the slope of “**Hull Moving Average**” Blue (Up) Or Purple (Down)
- Is it just reversing to the upside or been upside for a while?

If the answer is “BLUE”, the symbol has passed the second test and can be considered for entry.

The length of the blue bar gives a hint of whether the momentum has just begun (Risk: Reward is better) or in the late stages (Risk is higher). RSI and several other indicators do a similar job, but I prefer this one.

SCANNING FOR SEVERAL SYMBOLS AT THE SAME TIME

Charts are great, but you are limited to few charts at a time. The real power comes in analyzing multiple stocks at a glance using a watchlist (This is done using think scripts and a small fee will be involved).

Symbol	Last	c4e	C12e	c4o12	cps	h4HR
CAT	242.61	3.15	7.6	U	Bull	8.0
XOM	62.58	0.85	2.91	U	Bull	18.0
FCX	42.74	0.43	2.56	U	Bull	8.0
SLB	31.63	0.67	2.48	U	Bull	18.0
JCI	65.83	0.6	1.79	U	Bull	11.0
MET	66.47	0.17	1.54	U	Bull	23.0
BAC	42.05	0.21	1.09	U	Bull	8.0
SCHW	71.10	-0.1	1.01	U	Bull	3.0
NTNX	28.39	0.3	0.81	U	Bull	4.0
SLV	25.35	0.14	0.6	U	Bull	12.0
GT	19.14	-0.03	0.55	U	Bull	10.0

these stocks are potential buys

Symbol	Last	%Chan...	c4e	C12e	c4o12	cps	h4HR
SHOP	1047.77	-3.33%	-29.43	-63.68	D	Bear	-2.0
SPX	4112.50	+1.22%	-12.3	-41.16	D	Bear	-6.0
NOW	454.98	-2.09%	-11.33	-31.86	D	Bear	-3.0
MA	360.02	+0.95%	-2.85	-10.79	D	Bear	-7.0

Be careful going long on these. Odds of success is not in your favor since the trend is down (or flat)

- In Figures 1.3 and 1.4 above:
 - **C4e** is 4 Day EMA (Green is "Good")
 - **C12e** is 12 Day EMA (Green is "Good")
 - Green means the EMA is moving up
 - The number represents the current price - 4 EMA
- **C4o12** indicates 4 EMA is Above the 12 EMA (Green is "Good")
- **h4HR** Is the Slope of the 4 hours Hull Moving Average (Green is "Good")
 - 1.0 Green means Hull Moving Average has reversed to upside recently (in past 4 hours)
 - 8.0 Green would mean it has been up for the past 8 sessions of 4 hours each.

- A high Number in **h4HR** like **18.0** on **XOM** in the above example means The stock “might” be overextended and a low number like **3.0** on **SCHW** means the rally “might” be relatively young.
- **Details to buy the scripts are at the end of this document**

Candidates for Entries

- I maintain a large list of symbols on the watchlist
- I also use subscription-based Order flows that point me to what the big institutional funds are trading (Fee-based site). This order flow-based trading is getting very popular these days.

TIME	SYMBOL	EXP	STRIKE	C/P	SPOT	DETAILS	TYPE	VALUE
3:59:56	SU	06/04/2021	21	PUT	23.36	500@0.2_A	BLOCK	\$10K
3:59:55	AAPL	05/21/2021	127	CALL	126.90	405@2.31_A	BLOCK	\$93.6K
3:59:45	PTON	05/14/2021	80	PUT	87.57	804@0.61_A	BLOCK	\$49K
3:59:39	TSLA	05/21/2021	630	PUT	629.66	75@27.06_AA	SWEEP	\$203K
3:59:30	WDC	07/16/2021	85	CALL	68.69	190@1.23_A	SWEEP	\$23.4K
3:59:29	HD	05/21/2021	350	PUT	341.31	100@12.05_A	BLOCK	\$120.5K

Institutional Order flow from Blackbox.com

- Always have an eye on which sectors are doing good and try to trade those sectors (Free)

No.	Ticker	Company	Sector	Industry	Country	Market Cap	P/E	Price	▼ Change
1	XLU	Utilities Select Sector SPDR Fund	Financial	Exchange Traded Fund	USA	-	-	65.59	1.93%
2	XLI	Industrial Select Sector SPDR Fund	Financial	Exchange Traded Fund	USA	-	-	103.30	1.87%
3	XLF	Financial Select Sector SPDR Fund	Financial	Exchange Traded Fund	USA	-	-	37.29	1.61%
4	XLB	Materials Select Sector SPDR Fund	Financial	Exchange Traded Fund	USA	-	-	86.87	1.53%
5	XLP	Consumer Staples Select Sector SPDR Fund	Financial	Exchange Traded Fund	USA	-	-	70.60	1.41%
6	XLK	Technology Select Sector SPDR Fund	Financial	Exchange Traded Fund	USA	-	-	133.05	1.33%
7	XLRE	The Real Estate Select Sector SPDR Fund	Financial	Exchange Traded Fund	USA	-	-	41.56	1.27%
8	SMH	VanEck Vectors Semiconductor ETF	Financial	Exchange Traded Fund	USA	-	-	226.17	1.14%
9	XLV	Health Care Select Sector SPDR Fund	Financial	Exchange Traded Fund	USA	-	-	122.83	0.90%
10	XLC	Communication Services Select Sector SPDR Fund	Financial	Exchange Traded Fund	USA	-	-	75.60	0.72%
11	XLY	Consumer Discretionary Select Sector SPDR Fund	Financial	Exchange Traded Fund	USA	-	-	167.83	0.71%
12	XLE	Energy Select Sector SPDR Fund	Financial	Exchange Traded Fund	USA	-	-	51.88	-1.22%
13	XBI	SPDR S&P Biotech ETF	Financial	Exchange Traded Fund	USA	-	-	122.48	-1.32%

<https://finviz.com/screener.ashx?v=111&ft=4&t=XLY,XLC,XLK,XLI,XLB,XLE,XLP,XLV,XLU,XLF,XLRE,XBI,SMH&o=-change>

- Trending tickers on Stocktwits(Free)

Trending Tickers

These are the top 10 trending streams on Stocktwits right now. Check back every five minutes for updates.

Rank	Symbol	Name	Score	Price	Price % Change
1	FSR	Fisker Inc.	25.02	11.18	↑ 9.06%
2	AMC	AMC Entertainment	22.38	12.87	↑ 24.52%
3	DIS	Walt Disney Co.	19.48	171.40	↓ 3.62%
4	ACB	Aurora Cannabis Inc	18.73	6.53	↓ 15.85%
5	BABA	Alibaba	17.1	207.17	↓ 5.76%
6	HBAR-X	Hedera Hashgraph	16.86	0.36	↑ 37.75%
7	ADA-X	Cardano	16.73	1.88	↑ 14.03%
8	XEB-X	XEBEC Token	16.17	---	---
9	ABNB	Airbnb	15.61	133.35	↓ 4.98%

<https://stocktwits.com/rankings>

- The Market Makers (Usually the one who takes the other side of your trade) have to do intelligent hedging for the positions you hold. Understanding their behavior is a little-known critical edge. A small price that is worth it.

Daily Note:

Futures have pushed higher to 4130 overnight. We mark SPX, SPY, QQQ and IWM all in negative gamma territory. **This level of gamma in the SPX equates to a 1.26% est move on the day.** Accordingly **we mark 4100 as critical support,** a large Combo strike at **4136, and 4165 overhead resistance levels.** Our models also show roughly 13% of SPX gamma, and 20% of SPY & QQQ gamma expiring on todays close.

Looking at the model below for QQQ/SPY you can see that this expiration may put a bit of a bid in the market. The fact that the blue "T+1" (i.e today + 1 day) delta exposure lines are below todays exposure (red line) forecasts that dealers have less deltas to hedge tomorrow (aka Monday), and can therefore buy back some short futures into Monday. Now obviously this can change shape throughout the course of the day, but it backs this idea that **if the SPX holds 4100, bulls can rest a bit easier.**

Market Makers impact at spotgamma.com

- Remember, wherever you pick the symbol from, put it through the meat grinder of process checks and not go by gut feel.
- Make it a rigorous process.

Additional Details:

Stock Market is not simple to summarize in few pages and hope to be successful. My Udemy lessons are additional steps in this regard. It details how to look at the overall market using Monkey bars, How exposed is your portfolio, do you need to add more longs or add short, Beta weighted Delta, etc.

Hundreds of hours of lessons based on real trades and built over six months.

<https://www.udemy.com/stockmarketsuccesssecretsauce/>

STRATEGIES TO TRADE THE SYMBOL:

If you exclusively trade Stocks, it is pretty simple. You buy the stock with a defined profit target and stop loss. However, in Options, there are several strategies that might be appropriate based on the situation.

It is my experience that if your direction on trade is correct, then the strategies are not that important. Some of them you make more money and others make less loss. Here are the strategies I use :

- Covered Calls
- Call Debit Spreads
- Call Diagonals
- Naked Calls
- Ratio Diagonals
- Butterfly
- Iron Fly
- Iron Condors

My Udemy lessons have detailed examples with real trades on these strategies.

<https://www.udemy.com/stockmarketsuccesssecretsauce/>

"CORRECT OR OUT" - Risk Management

The biggest obstacle to success is not able to look at a loss in the eye and be comfortable with it. *Traders do not leave the trading world because they made money; they quit because of losses.*

If you have traded long enough, you will understand how true it is. I have devised systems in place where either you are "Correct or Out". (This is done using think scripts and a small fee will be involved).

- In stocks, you can set a stop limit but in options, it is tricky. A simple price-defined stop gets hit even though the trend is intact.
- If the trend stalls or remain flat or other factors like IV drops, then the option starts losing in value.



Option A:

If the stock drops below a particular level, then the Option is closed automatically (or an alert sent). Remember, this alert is on the stock and not the option because of the nature of Options. The stop loss attempts to get out at an optimal point in an objective manner at the slightest hint of reversal.

- Each Bar represents 2 Hours.
 - A total of 6 bars is included in the calculation (12 hours of trading)
 - Identify the lowest low of the last Six Bars
 - Subtract $\frac{1}{2}$ ATR to the lowest price and becomes the stop loss (dotted red lines).
 - If the price of the stock drops below the Stop loss line, the option is sold (Optionally you can create an alert and can manually manage it)

Option B:

It is similar to Option A but gets an average of high +Low /2

- Identify the Highest price of the last six bars, and pick the low of that bar
- $(\text{Lowest Low} + \text{Low of Highest Bar})/2 - ((\text{ATR}/2))$ (dotted white lines)

Understanding Stop Loss:

- A “Scared Money” is dead money.
- When the stock starts reversing, it is a natural human tendency to rationalize the reversal as trivial and basically hoping that the reversal is temporary. More often than not, the loss gets amplified losing both mental capital and trading capital.
- You never have to worry about selling it early only to watch the stock rally upwards. The focus shifts to winners instead of losers.
- Details to buy the scripts are at the end of this document

My Time Frames For Options Pick :

- If the Option picks are 45+/- days away
 - The Preliminary EMA checks are Daily
 - Once entered, Stop Loss is on a 2-hour time frame.
- If the Option picks are this week expiration
 - The Preliminary EMA checks are Daily
 - Once entered, Stop Loss is on a 15 min or 30 min time frame.
- If the Option picks are several Months away
 - The Preliminary EMA checks are Daily
 - Once entered, Stop Loss is on a 12 EMA break on a closing Daily basis.
- If the Option picks are Leaps
 - The Preliminary EMA checks are DailyOnce entered, Stop Loss, is on a 11 Week EMA break on a closing Daily basis.

Notice my preliminary check is always on a daily basis

PAID THINK SCRIPTS :

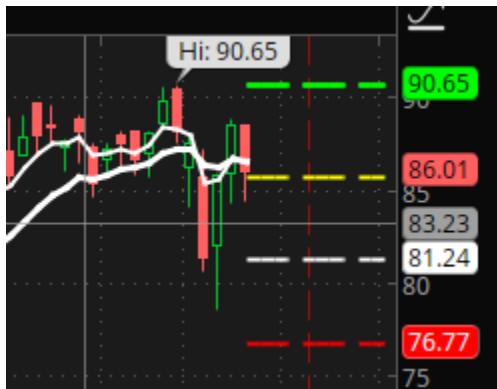
For a flat fee of \$99, you get the following :

- Script to add the 4 EMA / 12 EMA / If C4 is above C14 to the watchlist

Symbol	c4e	C12e	c4o12	h4HR
STX	7.66	12.18	U	4.0

- Hull Moving Average Count for 4 hours and count to identify (h4HR)

- Script for Stop Loss.



- Please pay using Paypal / Venmo /Cashapp etc to coolchandra at gmail dot com.

PRIVATE COACHING AND CONSULTATION :

- I conduct Private Coaching and consultation that includes everything related to trading, entries, exits, strategies, etc.
- If you prefer we can also review your past trades and devise a plan going forward.
- I am available any day after 4 PM or before 8 AM EST. Please email me with what time and which day(s) you prefer.
- The fee is \$100/hour paid via Paypal / Venmo /Cashapp etc to coolchandra at gmail dot com.

CONCLUSION:

The stock market is not simple. It will never be.

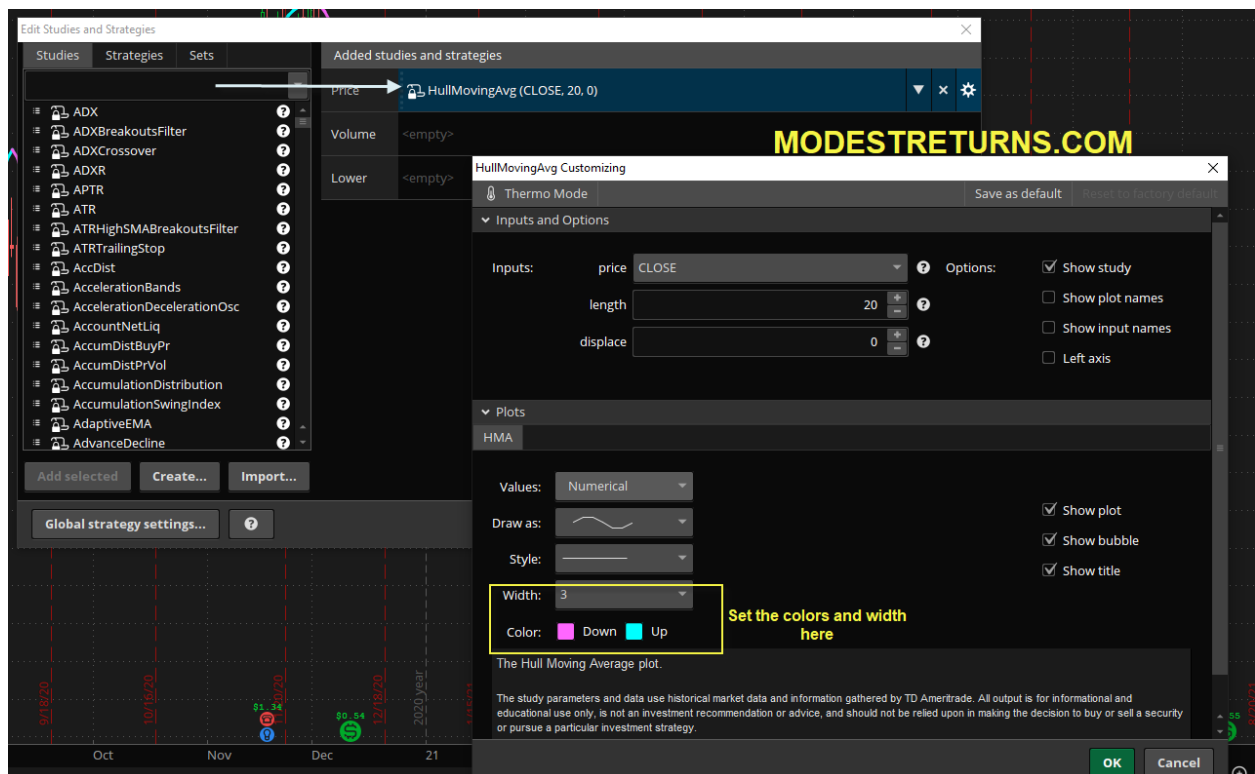
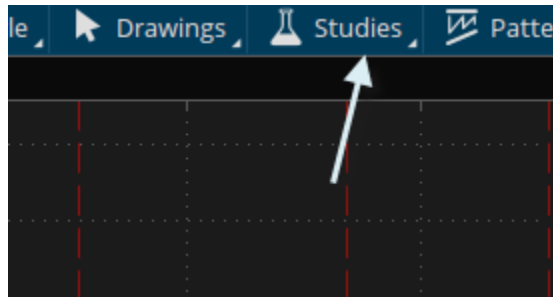
Anyone who says or makes it appear simple needs to be unfollowed and blocked from your circle. It is a lot of hard work. Be humble if successful. If in losses, Dust yourself, lick your wounds and work on your processes.

I had made a conscious decision to avoid discussing trading downside markets in this document. I do believe first a person should get comfortable trading the long side because downside moves are swift, short, and violent. In simple terms, if you are “shorting” a market, “red is good”.

Last but not least, Always reach out to me for a potential investment partnership.

Miscellaneous For TOS Users:

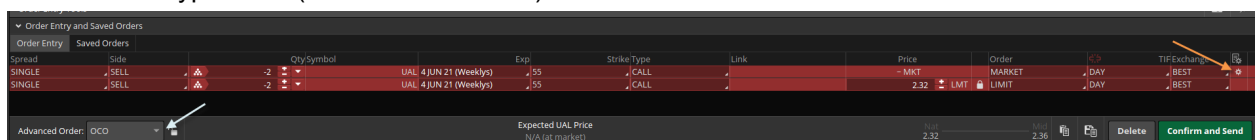
How to create Hull Moving Average colors in Thinkorswim
Studies > Edit Studies> Add Hull Moving Average



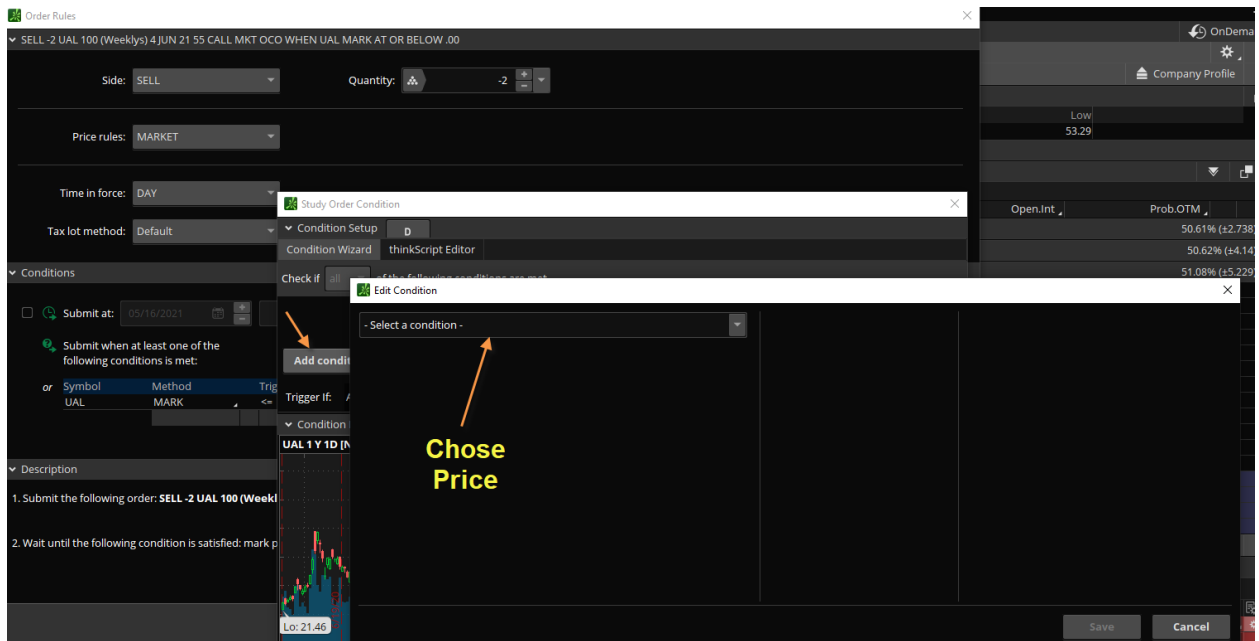
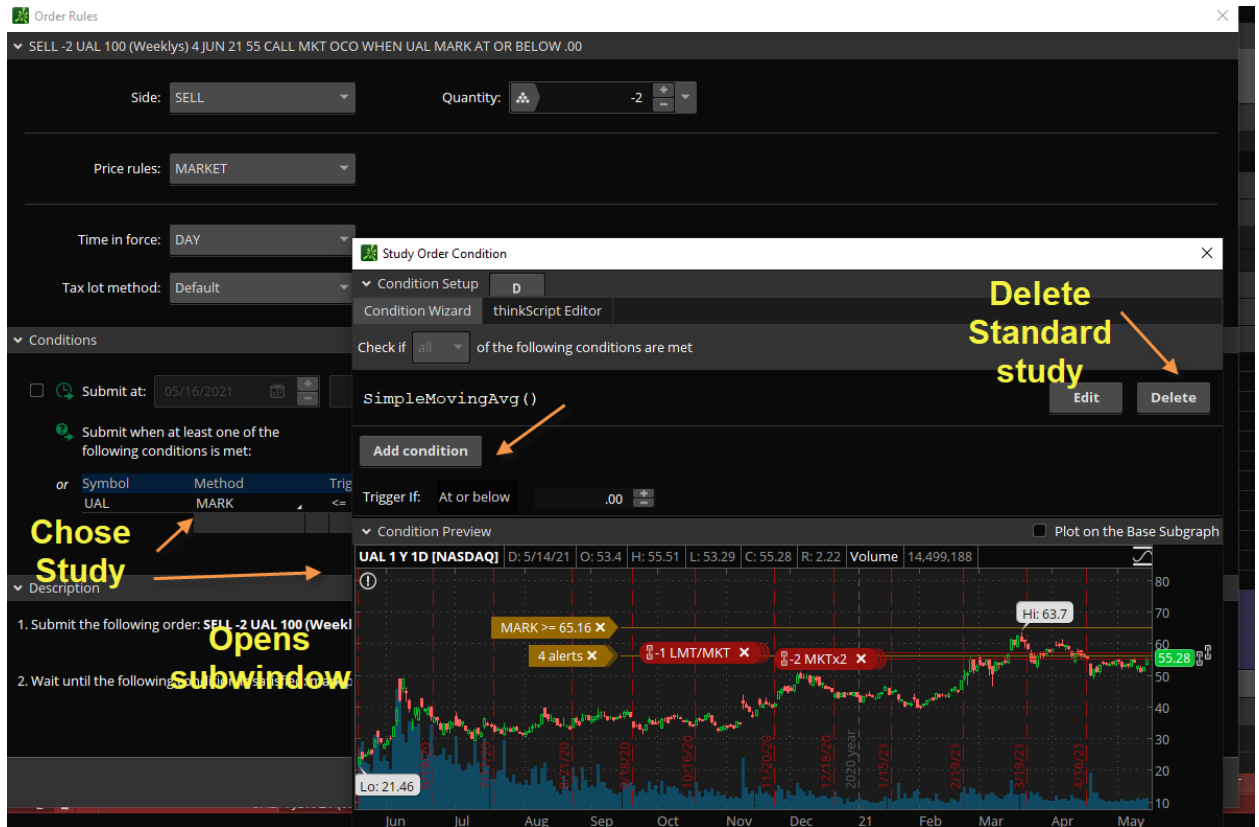
How to add a conditional Order on ThinkorSwim:

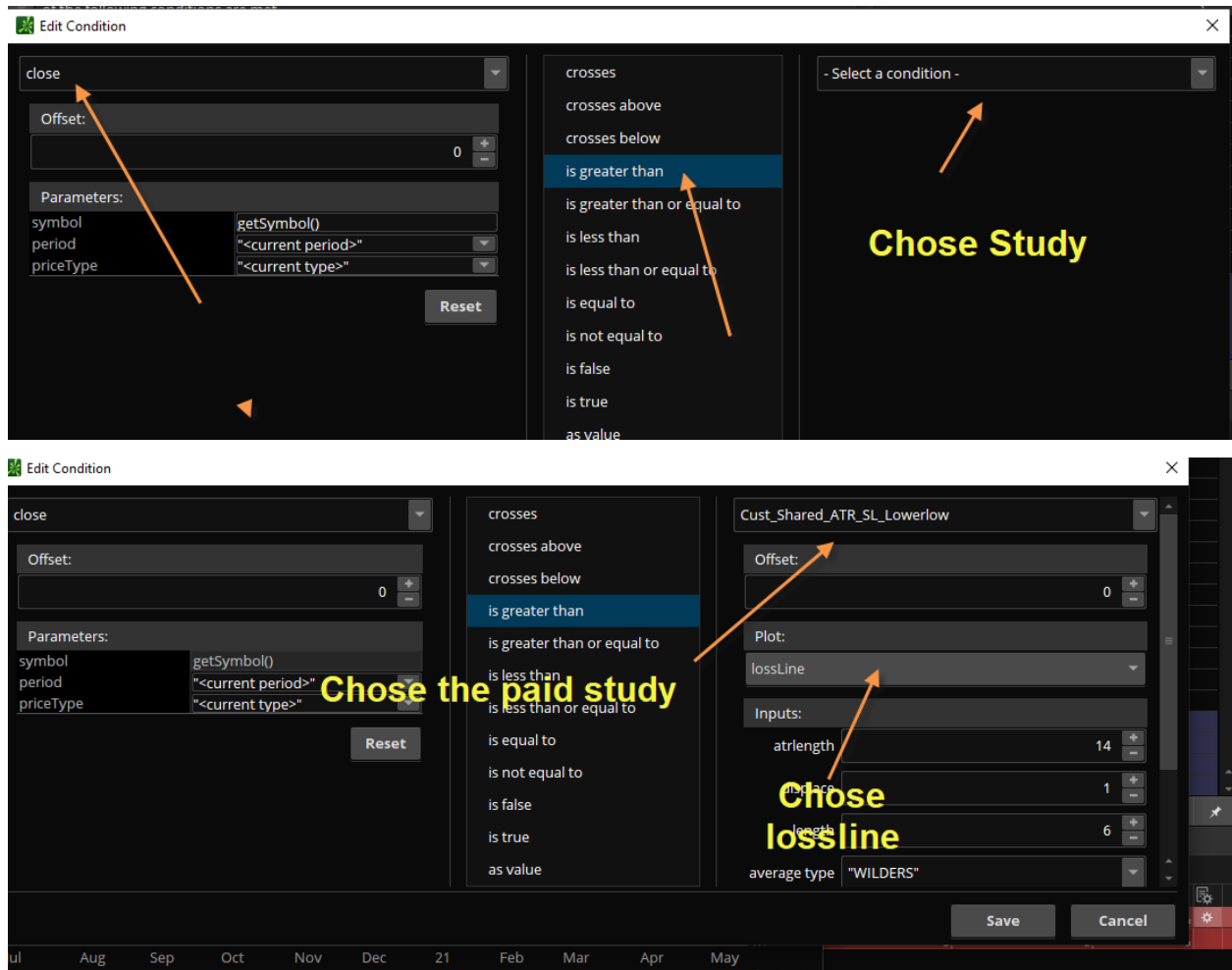
Once the position has been open,

- Create a closing order
- Make it of the type OCO (One cancels Other)



- On the extreme right, there is a wheel
- Click on it, that opens a Window





Other options like First Triggers OCO etc are not discussed which further simplifies the steps.

