

TRADING EXPERTS EXPERTS

TAKING PROFITS

A GUIDE TO LOCKING
IN PROFITS



Trading Experts Presents:

Taking Profits



Buying a stock is the easy part, the hard part is knowing when to sell which is the main goal of this program. To help make the way you sell your winning and losing trades systemically. One of the main rules we follow in regards to selling winning trades is treating our trade in thirds. We aim to sell a third into strength to book some profits and lower our risk if the trade fails. We trail the next third versus the low of day or prior low of day and lately, we are willing to give the last third back to our price to be in for the bigger move.

Trading Experts 10 Step Challenge To The Alpha Chat



Best of luck as you continue your education journey and you are within reach of the Alpha chat!

From Shake and Ben G

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Trading Nirvana



Few disciplines are as pure as stock trading. It has no political, discriminatory, or any other bias towards any individual. The dichotomy is that there does not exist a more potentially rewarding as well as financially unforgiving endeavor on the planet. There is no redo or reset, once you click the button you're in for the ride, no refunds.

The separation between amateurs and professionals is not a very wide margin. The main difference between the speculator and the trader are the critical rules that the market demands be followed. Obey them and the market is your best friend, break them and the stock gods show no mercy.

The rules that we follow and teach are by no way some perfect system, the reality is trading success can only be found within your own personal psychology. We can help guide you down the path however eventually you need to pave the way for your own success. The rules that we outline in ***Taking Profits*** walk through some of the common pitfalls that traders make after getting into a trade. Everyone is a great stock buyer, however most are shitty sellers. Our goal here is to help improve the hardest part of trading, selling your losers quickly while being more patient with your winners.

There is this allure of *trading nirvana* where most think they will know it all at some point, however that's more of folklore than reality. We are all students of the market with the goal to continue to improve our skill set and enhance our tool belt each and every day. As time goes on you start to spot those dumb money mistakes and rid them from your process which will help carve off years from your learning curve.

Tool Belt



Through years of experience, you develop your 'style' of trading utilizing your biggest strengths and straying away from your biggest weaknesses. We call these strengths your tool belt.

Some tools in your tool belt might be more short term focused, more price action based, where you will crush 3-5 day swing trades and even the rare day trade. You'll be in and out of high beta names, still achieving the big risk/reward equations, but probably only achieving small percentage gains in the actual stock's movement. You're going to have a lot of bigger sized trades, with much tighter stops. Your price action skills along with your ability to make a game plan on the fly allows you to get tight entries to load up on stock, so you can quickly take some off into a strong up-move. Remember, the tighter your stop, the better your timing has to be. In these trades you need to see the stock react very quickly and you will know whether you're right or wrong very soon into the trade.

Here's an example from a recent trade in crazy high beta Chinese stock YY after earnings.



I bought 1000 shares right off the open with an 80 cent stop, aware that this name moves about \$6 every day. I made an average of \$5 on my sells, better than a 6:1 risk/reward ratio, and I was done with the stock in twenty minutes.

Did I leave a lot of money on the table? Absolutely!

I had such a tight entry and my stop was based on a smaller time frame, I had to look to take profit very quickly, because of how often these stocks come back and take out the opening price to the downside. I had an 80 cent stop in a name that typically moves 6 bucks a day - I am not giving this trade the risk that it needs, so in turn I have to take profit more quickly while I have the opportunity.

I was right in this one, but in ones where I'm eventually wrong after the first pop, I'm very happy I took some off the table and cut it to a small loss or even break even trade. Because the stops are so tight on these types of trades, they're typically lower probability trades. For me to take the trade, there has to be many layers of probability on my side.

When your tool belt is more focused on the big picture trades, you can drown out the noise of the small time frames and see the bigger picture well enough to stay in your

winners for weeks or months. You might be lighter in size with a much wider stop. You get paid on the handful of trades you make above 50%+ on. When the 5 minute charts are down ticking, and many traders are panicking, you're looking at a weekly chart and saying, "*There is no reason to panic just yet*". You're not in and out of positions every day, you're thinking longer term.

Here is a recent example of a swing trade I had in LVS buying against a weekly support level.



Since this trade was based on a larger time frame (a weekly chart) my mindset for these executions were completely different. I bought 800 shares at \$61.50, with a \$60.74 stop in a name that only moves about \$1.50-2 on an average day. Looking at it from a relative standpoint, I'm giving this LVS a lot more room than I just gave YY. The day I bought LVS, I was flat in the name at the close. It wasn't until the next day that I was green in the name. Even then, I was in no rush to take profit because I knew the time frame my trade was based on. I sold 25% of my position into a strong breakout move after it put in a new high and sharply reversed at \$67.69. For these types of trades, when I'm right, I am letting the stock work until it tells me something has changed. After a few days of drastic wide-range upward movement, it was ready to reverse a bit and

digest before it made its next leg higher- which is why I'm still holding onto a piece of my position.

The reason I sold a portion of my stock despite thinking it would go higher is because I know there should be a pullback coming soon. It could be a small \$0.50 pullback or it could be a \$4 pullback. There is no way to know, but if it pulls back \$4, I'm going to really wish I had taken some profit. The mental aspect of taking some profit off into strength allows me to so confidently hold the rest of my position, while having booked some profit. If I hadn't taken any off the table, I'd be panicking about my position, regretting the fact that I didn't sell anything, and be in fear of giving all of my hard earned profits back.

Think about those emotions - panic, regret, fear. These are the types of psychological aspects that are wired into humans that make trading so difficult, and the reason why so many people fail. Making game plans is the first way we eliminate emotions, and our "*trim & trail*" method when selling stock is the second.

Your tool belt is what guides you in your executions. You have to know the type of trade you're in so you can have realistic expectations of taking profits. When I have a ridiculously tight stop in a breakout because there is volume at 9:30:01, I'm going to take some of my position off into the first big pop because I know a super tight stop means a much lower probability trade. Conversely, if I'm getting into a swing trade based on a much larger time frame, I don't need to be right that second. I'll have a wider stop with less stock and I'll be much stingier about taking profits.

Taking Profits Task

Say you treat your winners in thirds, how would you take your trade?

First $\frac{1}{3}$ I will...

Second $\frac{1}{3}$ I will...

Last $\frac{1}{3}$ I will....

Example

First $\frac{1}{3}$ I will sell into strength for a min of 3-1

Second $\frac{1}{3}$ I will trail vs the Prior Low of Day

Last $\frac{1}{3}$ I will trail vs Breakeven with the goal to take some off at 10%+

IPO Trading

If you're an active trader, you love IPOs. An IPO is an initial public offering, a stock's first day of trading publicly on an exchange. The reason we love them so much is that the risk/reward consistently achieved on IPO trades is unrivaled. It's all about price discovery for these securities as they've never experienced any sort of support and resistance. It's common to see a \$20 name run \$5-7 and \$15-\$20 in the next week. LinkedIn famously ran 50 points on its IPO -- and dropped 20 in a minute after it tickled that 50th point at \$120.

I can't stress enough that you have to be an active trader to do well with IPOs. This is not swing trading from your cell phone. This is being absolutely dialed in at your desk ready to make 55 executions in a 4 minute time span. Flat out, it's Wild West Trading.

Below is a picture of my executions from the Snapchat IPO.

Positions						
Symbol	Posit...	Price	Intraday Realized P&L	Traded S...	O - □	
SNAP	0	25.73	+1,651.52	7,000		
Orders						
-	Time	Symbol	Quantity	Executed Order Price	Size	
	11:19:27	SNAP	100 / 100	23.73 / 23.73	BOT	
	11:19:31	SNAP	200 / 200	24.00 / 24.00	BOT	
	11:19:31	SNAP	200 / 200	23.99 / 24.00	BOT	
	11:19:48	SNAP	300 / 300	23.99 / 23.99	BOT	
	11:19:49	SNAP	300 / 300	24.25 / 24.25	BOT	
	11:19:50	SNAP	200 / 200	24.34 / 24.40	BOT	
	11:20:05	SNAP	200 / 200	24.45 / 24.46	SLD	+119.00
	11:20:12	SNAP	100 / 100	24.48 / 24.48	SLD	+48.00
	11:20:33	SNAP	100 / 100	24.70 / 24.70	SLD	+71.00
	11:20:46	SNAP	100 / 100	24.83 / 24.83	SLD	+24.00
	11:21:37	SNAP	100 / 100	24.90 / 24.90	SLD	+21.00
	11:22:51	SNAP	100 / 100	25.09 / 25.09	SLD	+110.00
	11:25:22	SNAP	300 / 300	24.80 / 24.86	BOT	
	11:25:25	SNAP	300 / 300	24.50 / 24.49	SLD	+101.00
	11:28:23	SNAP	300 / 300	24.40 / 24.40	BOT	
	11:28:48	SNAP	100 / 100	24.83 / 24.83	SLD	+58.00
	11:30:07	SNAP	300 / 300	24.60 / 24.62	BOT	
	11:31:25	SNAP	100 / 100	24.74 / 24.74	SLD	+40.00
	11:32:05	SNAP	100 / 100	24.73 / 24.73	SLD	+38.00
	11:33:13	SNAP	100 / 100	24.84 / 24.84	SLD	+24.00
	11:36:00	SNAP	200 / 200	24.76 / 24.77	BOT	
	11:38:13	SNAP	200 / 200	24.93 / 24.95	BOT	
	11:38:45	SNAP	100 / 100	25.13 / 25.13	SLD	+53.00
	11:42:54	SNAP	200 / 200	24.76 / 24.78	SLD	+52.50
	11:47:58	SNAP	200 / 200	25.37 / 25.37	SLD	+194.00
	11:48:18	SNAP	100 / 100	25.26 / 25.26	SLD	+65.00
	11:48:45	SNAP	100 / 100	25.32 / 25.32	SLD	+71.00
	11:50:10	SNAP	100 / 100	25.26 / 25.26	SLD	+66.00
	12:00:09	SNAP	200 / 200	24.99 / 25.00	BOT	
	12:02:20	SNAP	100 / 100	25.27 / 25.27	SLD	+51.00
	12:06:00	SNAP	100 / 100	24.97 / 24.99	SLD	+20.00
	12:18:54	SNAP	100 / 100	25.28 / 25.28	BOT	
	12:19:05	SNAP	100 / 100	24.97 / 24.99	SLD	+4.00
	12:19:10	SNAP	100 / 100	24.97 / 24.99	SLD	+4.00
	12:20:50	SNAP	100 / 100	24.98 / 24.99	SLD	-1.99
	12:46:32	SNAP	200 / 200	25.23 / 25.23	BOT	
	12:57:14	SNAP	100 / 100	25.23 / 25.23	BOT	
	12:58:47	SNAP	100 / 100	25.30 / 25.30	BOT	
	13:05:55	SNAP	200 / 200	25.44 / 25.46	BOT	
	13:06:40	SNAP	200 / 200	25.41 / 25.41	SLD	+54.01
	13:29:29	SNAP	100 / 100	25.60 / 25.60	SLD	+37.00
	13:33:06	SNAP	100 / 100	25.82 / 25.82	SLD	+59.00
	13:40:23	SNAP	100 / 100	25.71 / 25.71	SLD	+48.00
	14:00:46	SNAP	100 / 100	25.60 / 25.59	SLD	+30.00
	14:12:11	SNAP	100 / 100	25.77 / 25.77	SLD	+33.00
	14:21:18	SNAP	100 / 100	25.73 / 25.73	SLD	+28.00

As you can see, it's a lot of fucking executions.

The stock opened at 11:19 and 27 seconds -- and for the next few minutes, I'm doing nothing but executing. In the first 3 ½ minutes I had bought and sold 2000 shares of

stock in 100-300 share lots staring at a 1 minute chart. Clearly this is a COMPLETELY different approach to how I trade everything else. (Hold your winners, buy right sit tight, etc.)



Here is the 1 minute chart from the SNAP IPO with the green dots being buys and red dots being sells. Everything we've taught you about swing trading and holding winners and being patient doesn't apply to IPO trading. It does in a sense, but you have to completely change your mentality for these trades. These are 'cash flow trades' meaning you're willing to part ways with stock quickly in order to book profits. I'm not making my career on these trades. Lunch money.

The most important aspect of IPO trading is executing quickly and making game plans on the fly.

Firstly, you need to set up your hotkeys so you can execute quickly. I personally use the 'F' function keys so I can execute. Left side is buying keys and right side is selling keys. Here is how I have mine set up:



ComputerHope.com

I use the F keys for all my trading.

- F1 Bid
- F4 Market Buy
- F5 Uptick
- F6 BuyStop
- F7 Sell Stop
- F8 Downtick
- F12 Market Sell

Know your keys. It's no one's job but yours to understand order types and the ins and outs of your keyboard.

Before the IPO, I'm going to look into the Company's stats a bit. You can learn a lot from a small amount of information.

EXPECTED DATE	ISSUER	TICKER	INDUSTRY	BOOKRUNNER(S)	EXCHANGE	CURR. AMT. FILED (\$MM)	CURR. SHRS. FILED (\$MM)	CURR. FILE PRICE/RANGE(\$)
12/14/2017	Newmark Group, Inc.	NMRK	Financials	GS, BAML, CITI, CFCO, PNC, MIZUHO, CAPONE, STFL	NASDAQ	\$707,250,000	\$30,000,000	\$19.00 - 22.00
12/06/2017	CURO Group Holdings Corp.	CURO	Financials	CS, JEFFER, STEPHENS	New York Stock Exchange	\$115,000,005	\$6,666,667	\$14.00 - 16.00
12/07/2017	Luther Burbank Corporation	LBC	Financials	STFL, SANDLER	NASDAQ	\$150,103,750	\$11,350,000	\$10.50 - 12.50
12/06/2017	Quanterix Corp.	QTRX	Healthcare	JPM, LEERINK, COWEN	NASDAQ	\$57,615,000	\$3,340,000	\$14.00 - 16.00
12/07/2017	Denali Therapeutics Inc.	DNLI	Healthcare	GS, MS, JPM, EVERCORE	NASDAQ	\$172,499,994	\$8,333,333	\$17.00 - 19.00
12/06/2017	Odonate Therapeutics, Inc.	ODT	Healthcare	GS, JEFFER, COWEN	NASDAQ	\$172,431,000	\$5,880,000	\$24.00 - 27.00
12/19/2017	Advantage Insurance Inc.	AVI	Financials	RAYMND, JMPSEC, BRILEY	New York Stock Exchange	\$115,000,000	\$10,000,000	\$9.00 - 11.00
12/13/2017	Casa Systems, Inc	CASA	Consumer Services	MS, BRCLY	NASDAQ	\$154,560,000	\$8,400,000	\$15.00 - 17.00

So here is the upcoming schedule of IPOs for this week. I've highlighted a few sections - industry, bookrunner (underwriters), exchange, shares filed (or share float - which is much more widely used) and price/range.

INDUSTRY - Just like the high beta names we gravitate to on a swing trading basis, we want them in the same sectors when they're debuting. We love the biotechs (or health care of some sort) and the tech names. Love me a chinese name IPO but always have to double check with the China info connections to find out how legit the company is. Financials will move like the banks do and REITs/Insurance Companies/MLPs are virtually untradeable.

UNDERWRITERS (bookrunners) - You want to see the big boys underwriting it. Goldman Sachs, Bank of America, Merrill Lynch, JP Morgan, Morgan Stanley are tier 1. Goldman is a cut above the rest because it's known that they've had the best performing IPOs.

Goldman is like the star Quarterback of the bunch - and when they're debuting a new issue, it's like the star QB is throwing a party -- versus the no name banks which are like the waterboys. I don't know about you, but I want to party with the winners.

Tier 2 is the Mizuho's, Stifel's, Piper Jefferies', Cowen's, and PNC's of the world. Tier 3 is the Leerink's, Raymond James', and Evercore's out there. If you haven't heard of the bank, it's generally not a great sign.

EXCHANGE - this is just going to clue you in on when they will open the IPO. NYSE IPOs open much earlier than Nasdaq. NYSE generally opens them up between 9:45-10:30am. Nasdaq IPOs open later, 10:00-11:30am and sometimes later. I've pissed under my desk into a water bottle before waiting for an IPO to open, it happens.

SHARE FLOAT (Shares Filed) - This will shape the size you take during the trade, along with the price. If a name has a 30 million share float, it's going to trade pretty thick. There's a lot of stock out there. This does NOT at all mean the IPO will move slowly during trading hours. That is never the case. BABA had something like a 100 million share float when it had its IPO. When the float is that big, it pretty much takes tape reading out of the question because the level 2 is moving too quickly for any human to process. The sweet spot for me is about a 10-15 million share float. That way it's thick enough that you shouldn't get crazy slippage on your stop, but also thin enough so you can use tape reading as an edge. Under 3 million share float I'll typically avoid, just too thin, will likely have a huge spread, and your real risk is probably double when factoring in slippage.

Price Range/Pricing - This is the MOST important aspect of an IPO you can look at. It revolves around the pre IPO demand for the stock. Stocks "price" on the day of their IPO a few hours before they open which is a huge indicator of how the IPO should trade. If an IPO's price range is \$16-18 and the stock prices at \$18, the top end of its range, that's very GOOD. That means there is a ton of demand for the new issue. We want to see them price at the high end or above their range because they're much more likely to get that initial POP off the open.

When an IPO's price is at the top end of their range, it means there is great demand for the shares, indicating an increased likelihood of a successful day 1.

OK - so now we know what to look for beforehand, how the hell do we actually trade this thing??

To start -- you have to have a set amount you want to risk. For some it's \$100, some \$500, some \$5000, it's all relative to your account. If I'm risking \$500, I know that these trades are very volatile and I may get shaken out of the first move, so my first buys will risk \$250. There have been many times that I have taken a quick loss and then realize it was a shakeout -- and still have the other half of capital I'm willing to deploy in this name. If I stay in that stock, that becomes my core that I trade around - which I won't

take off until the bigger move. But we're getting ahead of ourselves for now. If a \$16 IPO opens at \$16.30 and I buy, I'll buy 800 shares because 800 shares x 30 cents = \$240 risk (before fees). You have to be on your mental math game hard for these trades.

You have to go into IPO trades with a set dollar amount you are willing to risk.

I can't stress enough how quickly you need to be in these trades. I've seen trading lives lost because people couldn't get that stop order in and instead of taking a \$500 loss they turn it into a \$2500 loss -- which is such a drain of physical and mental capital. These trades are no walk in the park, you will make and lose money quickly in these trades. If you are not willing to accept that type of risk, then don't trade IPOs. You're going to read along the lines of "you need to know where your trading strengths lie" a hundred different times in this book. It could not be more true in this case.

If you don't have price action skills, don't trade IPOs as you'll only lose capital that could have been deployed somewhere you'll actually make money.

So let's get into it. For charting -- I'm looking at a 1 minute chart. This is the ONLY TIME IN HISTORY you will ever see me mention a 1 minute chart. It doesn't apply to ANYTHING BUT IPO TRADING. I don't want to hear "but you look at 1 minutes for IPOs, why not other stocks?" Because they're irrelevant for stocks with years and years of trading history behind them. Every single tick of an IPO that opened a few minutes ago is so important from a resistance and support standpoint.

When the stock opens -- my eyes go straight to the order box. I want to see a fat stabilizing bid. This is usually the underwriter defending its price. Let's say the IPO prices at top of its range \$16. The stock opens at \$16.30 and begins to uptick. If I see a huge 500,000 share bid come in at \$16, I'm IMMEDIATELY going to buy some.

Depending on your level of speed, throw a stop on the stabilizing bid to avoid the crazy slippage that IPOs so often have (think - every single trader only has 1 clear place to put their stop - low of day, if that breaks the stock triggers so many buy stops and inevitably flushes hard).

The idea behind the stabilizing bid is that underwriters want to deem the IPO to have a successful day 1. They will defend that level with as much stock as it takes to have it

close above it's IPO price. If the book says there is a 500,000 share bid at \$16, often times you will see the bid taken out and just reload another 500,000 shares to hold the stock up. When you're an active trader and you are confident in your speed you are afforded the ability of waiting to see if the stabilizing bid reloads or not. You do this by having your finger on the market sell key and the second you see their bid have (about) 150,000 left, you GET THE FUCK OUT. You do not want to miss your out because you'll be risking a LOT more than you anticipated. 90% of the time I'm still putting a stop on the bid -- just hurts too much if you miss your out.

You can't miss your out - if you're not quick enough, put your stop ON big bids so you know you have liquidity to get out of your position. Slippage in IPOs is 5x worse than in normal stocks.

Here is how I really execute - I will buy small to be involved so I can watch the price action. Then, I want to **BUY THROUGH THE ONE MINUTE HIGH**. If a stock never breaks its one minute high -- it's a dud. It will fail miserably. If it's not breaking that high, I don't want to be involved. Can't stress enough the importance of taking out the 1 minute high.

Figuring out stops is a bit different in these IPOs because it's all about price discovery so you want the tightest entries you can get while always giving a piece to the low of day. These will be very 'taily' and it's common to see a name rip a dollar and give 75 cents back the next few seconds. If the stock is \$15 and through the 1 minute high it's \$18 -- there is no way in hell I'll risk \$3 in this scenario. I'm looking at tails and the tape to see where buyers stepped in to use my stops.

TAPE READING PLAYS A BIG PART IN SUCCESSFUL IPO TRADING

If we're just off the open and I see huge bids piling into the stock on the tape, I'm going to buy off him with a stop 1 cent below him. I am immediately selling small portions of stock into pops.

If I see a buyer, I will add to my position off him with a sell stop 1 cent below him.



Here is an example of a level 2. These things are moving a mile a minute during IPOs so it's best to be focused. You'll see 100-1000 share orders flying in and out of the bid box (left) but if I see a huge order come in, let's say 50,000 share bid, I'm buying off him immediately.

I have no problem kicking stock for 2:1 risk/reward equations. These trades are quick cash flow trades, not swing trades I'll make my year on. I want to have a constant focus on booking profits. I know there will be a ton of sellers every 50c and on whole figures, so I'm placing my orders at the quarters on the way up. \$16.22, \$16.44, \$16.72, \$16.92, etc. I ALWAYS have orders out there because these securities are so flashy. They rage and fall rapidly - but if you have offers to sell out there, you're only booking profit into these strong moves. So often you see whole figures become a problem for IPOs to break through so I sell in front of them because they will flush if the buyers can't break the level.

In swing trades, you are much more married to your stock. You have to know you're wrong to get out based on support from a weekly level. It's the complete opposite in IPOs. You are in and out of stock in minutes. You always want to hold a core because many successful IPOs have an "end of day run". They'll run from \$16-18 all day then go

sideways for 3 hours before running to \$21 in the final twenty minutes. This is a very common aspect of IPOs which is why you need to hold onto that core.

Giving these lessons via text is very difficult so as I see opportunity to provide other content for trading IPOs I will do so in the future. For now we'll just remember the basics.

- **Do your pre-IPO research**- Looking into the float, underwriters, price range, pricing, float and exchange beforehand.
- **Speed Kills** - If you're not quick on the keys, then don't bother with IPO trading as you'll only put yourself in a dangerous position.
- **Look for the Stabilizing bid**- Huge added layer of probability here.
- **Buy through the 1 minute high** - Stocks need to take out that first pop to have a successful day 1.
- **Have offers out to kick stock to book profit** - IPOs are notoriously flashy. I'm typically kicking either every quarter or every 50 cents on the way up once it takes out that first high. You want to have a constant focus on booking profits.
- **Hold onto a Core Position** - If it wants to give an end of day run, you want to be involved.

Taking Profits Task

What are your 3 rules if you plan to trade an IPO?

Example

Rule 1 - I will first define my risk where I am willing to lose at most \$100

Rule 2 - My goal will be to make at least 5-1 on my initial risk

Rule 3 - I will place my stop vs the LOD

Rule 4 - I will kick some into strength (first pop)

Rule 5 - if it closes near the high of day, I will hold for continuation

Rule 6 - if it closes near the low of day, I will get out

The Billion Dollar Burger



On new issue day for a big name IPO, our desk was always howling. Shake Shack had just gone public on the Nasdaq and at a time that was real juicy for IPOs as they were getting irresponsibly oversubscribed. An oversubscribed security offering occurs when the demand for an IPO exceeds the total number of shares issued by the underlying company (a great sign if you're going public). Companies were getting announced pricings of \$15-18 and commonly opening up in the \$30's. Today was no different, with Shake Shack which priced at \$21 and opened up 123% higher at \$47.

"Did this thing really open up at 47 bucks?!" Chad shouts.

Mike yells back **"BIG BOYS COMING IN!!"**

Sounds of a keyboard smashing into a million pieces.

Ben leans over and whispers **"Sounds like Jack didn't get filled on his uptick."** I give a quick subconscious nod however I'm too focused on the level 2 watching this buyer soak up a ton of stock. Which means we just spotted the buyers.

"Got some off that \$48 buyer, he goes I go!" Wrench says with confidence (guy takes a shit in a 3 piece suit, however his call outs were on point. Mental note taken, \$48 out).

When you're at a big trading desk, with everyone in the zone, the communication going on -- reading the tape & spotting information that could only be obtained in a millisecond

-- is nothing short of poetry in motion. We were slinging hundreds of thousands of dollars back & forth without a second to process the executions.

"BIG POP, TAKING A TON OFF INTO THIS MOVE!" Beast shouts

"Got some under 49 half.....Got it!" Mike exclaims, taking his hand off his keyboard for a millisecond to pump his fist.

(Referring to selling some of his position a minute or two later.)

A brief pause and you hear, **"GOT SOME IN FRONT OF 50 -- this thing is FUCKING CRAZY. I'm at 22's and 72's all the way up."**

(Meaning he had stock to sell at \$50.22, \$50.72, 51.22, \$51.72, \$52.22, \$52.72 etc.)

SHAK ran all the way to \$52.50 in the next 4 minutes and abruptly turned around.



"YOU SEE THAT SELLER REFRESH THE HALF AND MARKET A MILLION MORE?!" I scream as if I'm getting robbed.

Seconds earlier, I spotted a huge seller on the tape, who in about 2 seconds flat caused the stock to promptly run into a wall at \$52.50 and drop quicker than a drunk on a mountain bike. He soaked up about 2 million shares at \$52.50 and just let people buy

as much stock as they wanted into him. Once the buying subsided, he hit a market order for another million shares, causing the stock to begin to flush dramatically.

"OH BOY SHE'S COMING BACK HARD 52.....51.....50.....49...holy fucking shit!"

Jack said with little confidence after missing his uptick minutes ago and was now chasing.

If you didn't take any profit into that first move, you had a pit in your stomach the size of a grapefruit. Only 1 trader on our man desk fell victim to this rookie mistake. Great swing trader, awful IPO trader. Gotta know your strengths.

"Our boys are still there at \$48."

"Scooped off 'em again."

"Taking some off above \$49."

"49 HALF there's a WALL."

"Looks like our boy at \$52's just stepped down, god only knows what he's got to sell."

We talk about these big sellers like they're individuals that we know personally but this is not the case at all! These could be huge mutual funds, hedge funds, or banks unwinding their pre IPO allocations. After all, they were up well over 100% from their \$21 IPO price, what did they care if they sold at \$52 or \$49? They were still making a single day fucking killing, while we scalped over the sprinkles on the sundae.

For the next 45 minutes we played the range between \$48 and \$49.50, trading around a core & buying some near support & selling into resistance (while holding onto our core position in case the seller finally breaks). At around 12:15, the seller won the battle and \$48 broke to the downside. We were done with it.



We had just made about 40k between us on the trading desk- that's including the one guy, Fred, who only made a few hundred bucks because he didn't sell any stock into that first pop. Imagine the mental pretzel he was in when all the other boys were so pumped. To make matters worse he was wearing his Trinity College t-shirt, where he and Shake Shack CEO Danny Meyer shared an alma mater.

We decided we'd walk over to the Shake Shack by World Trade Center and pay the day's winnings forward. I couldn't be more pumped to sink my teeth into a Shack Stack. It was a cheese burger with a fried onion, stuffed with Muenster cheese -- insanity.

We walk over from our Wall St office arriving at about 1pm to a massive line around the corner. We wait it out, finally make our order and wait another 20 minutes for food. Well worth the wait as I polished off 2 Shack Stacks. I looked over and saw Ben balls deep in some crinkle cut fries. Today the boys were **EATIN'**.



We look over and see lights & news cameras. I couldn't believe it. Danny Meyer, CEO of Shake Shack, was standing there getting interviewed by CNBC. The overwhelmingly attractive news anchor was laughing along, pretending to eat a burger. The second the interview was over, Fred, still in his Trinity t-shirt, decided it was time to make up for the day's poor performance on the desk.

"Hey Danny --- GO BANTAMS!!" Fred screamed pointing to his t-shirt.

Danny heard this and flashed a quick smile before walking over. "How's it going boys, enjoying the burgers?"

"Moreso enjoying the stock! Appreciate the pop today Danny, paid for lunch a few times over."

We chatted for a few minutes and he told us when he had started Shake Shack 11 years earlier, he never conceived in his wildest dreams the type of growth they would have achieved. We asked him what the key driver to his success was. He then said something I'll never forget.

"When faced with countless obstacles and failure seems certain, you must never lose sight of what is stopping you from obtaining your goals. You have to be realistic about the problems you face and conquer them head on. You must also never lose faith these obstacles will slow down your progress from the bigger picture."

Who knew this restaurateur from Wisconsin would make the perfect life coach.

"Danny -- last question. We did pretty well today, added a few thousand to the accounts. But I gotta ask, what's it like to add a B to your name?!" Referring to Meyer becoming an on-paper Billionaire with the stock soaring.

He looked me dead in the eye and with a cheeky smile said as he walked away,

“....And to think, it all started from a hot dog stand.”

Gameplans Change



We know that we always strive for a 5-1+ trades, however sometimes the names just don't have the juice to get them where we'd like to see them go. As you can see from the chart, REGN was a good example of this. REGN has been somewhat a laggard in the Biotech rage of 2017.

After seeing it gap down near it's prior breakout level...

Peep below



It was starting to come down into that prior resistance area. As it got tight and started to base, it looked like a low risk entry that could potentially be a 5-1 trade.



The original GP was to buy \$440 with a stop below the lows of \$425 (\$15 risk) with a target of around \$500+ (+\$60 gain on \$15 risk). After the first buy (*early*) it pulled in and put in a higher low (*good sign*). I then added again *back up* through that \$440 level a second time (on the way up).

Day 1 started to work, nice \$10 point pop from entry, still same GP.

Day 2 nice follow through, and another, now a \$15 point move. At this point the stop was moved up to (\$439.89) break even.

Day 3-5 pull in, digestion, and we could see that \$450 area hold to the penny. After it turned up through those highs (\$449.98) stop was moved up to that area.

Now REGN was halted on the day it flushed up to \$477, so I knew the next few days would be key. Are the buyers ready to take that high out, or are they tired?

After the 2nd day following the halt, if you pretended that flush up didn't happen, it looks like a doji at highs on a short term move right? These are usually the times, where the novice trader would say "*I'll sell above \$477!*" and give the whole trade back.

So I'll take half my position off for a quick \$30 point chop, and give the rest vs the prior day's lows, and some back to my price just in case. If it wants to go I'm in, if not so be it, it's just another trade.

Next day sold for a \$20 point stop out, and gave 10% back to my price losing a whopping \$.19 on those shares in a \$400 name.

Now was it a 5-1 trade on my original risk? That answer would be no. However, given what the market was telling me, I took the trade, made a chop, and will buy that fucker again when it sets up.

So are there times when we have to change our plan?

Of course. Remember our game plans are written on paper, not set in stone.

Taking Profits Task

**Let's hammer down your rules on how you plan to take profits in your winners.
Post your simple rules in the chat. Realize these rules will change over time.**

Trading Around a Core



While always focusing on the bigger picture, it's of the utmost importance to know where your strengths lie. For me, that lies with short term swing, trading heavier positions. My ability to read price action gives me an edge in this type of trading.

Being more focused on the short term picture (1-2 weeks) you'll often hear me say that I'm "maneuvering" in a position or when I'm kicking stock somewhat quickly into a first pop -- when a stock's weekly chart looks great and one should probably be more patient. What I'm really doing here is "Trading around a core". Trading around a core means that you have your core position in which you're looking at the bigger picture. This stock I am swing trading unless it gets smoked and stops me out below true support. However, because my price action skills allow me to excel intraday, I often load up on stock with a tight stop and will be a lot quicker to take profit with the new stock. In September '17 we had a trade in BIVV that perfectly depicts my point.

The reason trading around a core works so well is that we can take advantage of the big picture swing trade ideas, while loading up on stock and constantly booking profit into intraday strength using price action skills. This concept makes it much easier to grow into bigger and bigger positions - which is what developing your trading skills are all about.

Here is the trade setup in BIVV below. I'm looking for a high volume move through the \$57.50 - 58 level.



My gameplan is to buy the \$57.50-58 breakout with a \$2 stop below \$56.



Boom - just looking at a daily chart from the ensuing day shows our big picture trade is beginning to work. However, if we look to an intraday chart, you can see how the trade was executed utilizing price action skills.

Knowing those last few pivots on the daily were around \$57.50 and just how relatively tight this name was - I knew if we got volume through that area I could buy aggressively with a tight stop. BIVV is generally a name that moves \$2-3 per day, so when it got in this mini base right around support and began having daily ranges of only 60 cents -- I KNEW it was go-time soon. High beta stocks like this can only stay this relatively tight for so long before they have to expand in one direction.

Off the open, we get that volume push and I begin buying 57.50 to 57.80 somewhat aggressively for the first few minutes. I buy 1000 shares at 57.50 then add 500 a couple minutes later as volume is continuing to push the stock through the level.

The difference in trading around a core is that I will have two trades on my hand. In my game plan, I wanted to risk right around \$1200-1500 on the trade, depending how it

setup. The first 1000 shares I buy at \$57.50 and I'm giving 500 shares to the proper out below support at \$55.99 (\$750 risk). The other 500 shares, since I was buying them while reading the price action and volume, I'm just giving it to the low of the day to \$57 (\$56.99 stop, 50c risk, \$250 risk). Once I have the confirmation that my trade is working by seeing the continuous volume pushing my stock higher (which has not been there the past few weeks) I am confident enough in my setup to put on more risk.

The reason I split this stock up into two trades revolves around the probability aspects of the trade. I know that the tighter my stop is, the better my timing has to be, and the less probability I'm giving my trade to succeed. I need to give a portion of my stock to true support to know that I'm wrong in the trade.



So I buy 1500 BIVV at the average price \$57.60 and it begins to push to \$59 where I knew there was more resistance (from looking left on the daily chart). So I began kicking and I sell $\frac{1}{3}$ of my position (or half my momentum stock, 500 shares) for an average of \$58.83, booking \$600. Because I was only giving this 'momentum' stock 50 cents and I'm recognizing the fact I don't have the highest probability stop-loss on my hands, it's

ok to pay for the trade into the first strong move. You want it to be at least 3:1, but things aren't always perfect out here.

The day ends and BIVV ended up making it's high at \$59 right into those first kicks, so I'm holding my 1000 shares. I know my core is 500 shares with a stop \$55.99 and have 500 shares I'm keeping much tighter with today's low of \$56.99 being my stop.



BIVV begins to consolidate over the next few days, going out of play with little volume, getting tighter and tighter setting up for the next move. I just sit in the stock, keeping to my game plan.



Now BIVV is once again getting very tight on the daily! It looks like it's going to blast out of this base once again with a move through \$58. The moving averages are somehow now even more contracted than when I first entered this trade. I have another high probability setup on my hands here.

Now, I've been watching this name closely for the past few weeks. I am very aware of how it moves when it's out of play and how it moves when there is volume. So when "something changes" from the consolidation period, I'll know right away .

BIVV has two extremely tight (almost) inside days, with the high being \$57.79 which is the same spot I was looking to buy aggressively a few days prior.



BOOM - off the open that volume comes right back. I buy my 500 shares back and kick them at the same spots as last time booking about \$600 again, while still holding my core.

I have 1000 shares, half my stop below \$57 and the other half below \$56 from a swing trading perspective.



The following day BIVV pushes up and I take 200 shares off the table to book some more profit. Those 200 shares were of the first 500 shares I originally bought with a 50 cent stop. I'm selling this stock for a \$2.50 gain so I'm attaining my 5:1 risk reward. I booked \$500 on those swing kicks.

Altogether I've booked \$1700 in the trade, \$1200 from the stock I treated as momentum stock, and \$500 from the swing.

BIVV fails to push up in the following few days, creates a support area and stops me out of the rest of my stock for break even (pictured below).



So if we look at the chart below, we can see that BIVV had a quick round trip trade. Anyone who didn't actively trade this, is likely just taking a break even trade. However, from keying in on the price action and trading around a core, I was able to book \$1700.



The reason 'Trading Around a Core' is so important is because you want to stay in your winners as long as possible. You will never know how far they'll run. Recognizing times of extreme strength and weakness is important, and if you're trading around a core, you can take advantage of these moves by adding stock and taking profit.

Just because I treated some stock differently, doesn't mean I didn't have a fully fledged game plan for every single share. There was not a second in this trade I didn't have a stop in place or have my risk quantified to the cent. Also, it's important to recognize that I was still focused on a risk/reward equation the entire time, even when I knew I was selling stock quickly.

Buyout Bitch!



As new traders buyouts often look like the best trades ever, they had a massive gap up and they are flagging so tight at highs, you are licking your chops that you can get super heavy on tight risk in an A+ set up. Trust me every new trader who looks for leaders makes this mistake once or twice, then after you do it, just like taking that girl out on a \$1,000 first date. You never do that shit again because you realize how stupid it is. After finishing “*Make Your Bed*” (highly recommend and will take you all of 1 hour to read) if that is too much, invest the next 19 minutes of your life watching this video from the author)

[*Make Your Bed Speech*](#)

Now the reason I mention that because I need to think of a Sugar Cookie punishment for new traders who fuck up and think they can make stupid money after buy outs get released, if you have any idea's please let me know! In this lesson we are going to go through a few real world example and we will wrap it up with a dumb money story about buy outs, so let's dive right in at ONCE!

Press Release

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Spark Therapeutics Enters into Definitive Merger Agreement with Roche

Roche to acquire Spark Therapeutics for \$114.50 per share representing a total equity value of \$4.8 billion

Spark Therapeutics will continue its operations in Philadelphia as an independent company within the Roche Group

Above is the press release that Roche is buying ONCE for \$114.50 a share at a later date. Let's take a look at the ONCE chart.

Tradingexperts24 published on TradingView.com, August 06, 2019 19:52:02 UTC
BATs:ONCE, D 101.22 ▼ -0.10 (-0.1%) O:101.65 H:102.10 L:100.30 C:101.22



Created with  TradingView

We can see the day prior ONCE was trading at \$52 a share, the news gets announced and it opens at \$114.50 and never trades a penny higher. If you were long from the day prior, you caught the easiest trade ever. Trust me once it's announced it's at that price, so forget thinking you will be fast enough to buy \$52 and sell \$114, if you think that, sir

(or ma'am) you are dumb money. Now it is just announced, the deal is not signed, and the longer it takes to finalize the more risk in it closing, hence the sell off that followed.

Key point - if you own a stock that gets bought out and it gaps up huge, take the win you greedy bastard! Let's move onto the next example!

Here we have ABBV wanting to buy AGN for \$188 a share.

AbbVie Inc. agreed to pay \$63 billion for rival drugmaker Allergan Plc, the latest merger in an industry where some of the biggest companies have been willing to pay a big premium to resolve questions about their growth prospects.

The price tag caused heartburn on Wall Street, and AbbVie had its worst day of trading since it was spun off from former parent Abbott Laboratories. The stock closed down 16% to \$65.70 in New York.

Allergan shares finished the day up 25% to \$162.43. AbbVie will pay \$188.24 a share in cash and stock, according to a statement , a 45% premium to Allergan's closing price on Monday.



Created with TradingView

The company doing the buying gaps down, as they are spending cash to acquire a new company, short term most investors do not like that as the company tends to pay a premium for the company they are buying. There was only 1 time that I ever saw a company gap up from buying another company, very rare, 9/10 times expect the buyer to gap down. Again no free lunch or way to short this before the drop unless you have inside info.



Created with TradingView

ABBV said they will pay \$188 a share, yet only gapped to \$168, remember it is the company announcing, it's all in limbo until the papers are signed, if the DOJ says no then theres no deal. Remember the company getting bought will gap up, as no owner would be stupid enough to sell out for lower than the market price. Now watch that happen a week after you read this!

The hard part for new traders to learn this, is that once the deal is done, you can no longer pull up a chart of the company getting bought, that is why the first time it happens, it's ok, as most simply have not seen it before.

Wait a second didnt you (me writing this) just say a company never gets bought out for lower than the market price?



Created with TradingView

MDSO was bought out lower than the market price, because the news got out early and people tried to get their free lunch, expecting it to get bought out higher. Yet when the deal was announced, all the people trying to get a free lunch, ended up footing the bill.

Before we unleash the dog shit, a story about the dumbest Doctor I know, let's recap a few things about buyouts:

- The company getting bought gaps up to/around the announced buyout price
- The company doing the buying will gap down
- Unless you have inside information you will never catch the gap up, unless you are randomly in
- You can most certainly catch the gap down, that's easy!
- The only real space that we see buyouts is in the bio and pharma sectors, sure you will see one here and there in other sections however the majority are in the bios. With that

being said if you trade bios alot, throughout your career you will probably catch a gap up or two (we caught KITE for a 140% return a few years back)

-Lastly, there is no free lunch, you might catch a buyout and you can also catch some gap downs, and if you catch any phase 3 failures, you will see how the winners and losers tend to even out.

Now let's unleash the dogshit and learn from the dumbest doctor I know! Spero (not the doctor) mentioned he had a buddy who was a doctor and needed some help with his trading. Doctors tend to fall into two categories when it comes to investing:

1. They are risk averse as humanly possible (tax free muni bond type guy)
2. They are degenerate gamblers

Steven was number 2 a degenerate gambler, now in their profession, they are the smartest in the room, helping a patient beat cancer that is what Steven does all day long and I tip my cap to the man. However in our sandbox, he's the dumbest trader on the street, anything he owns, I'm shorting, anything he's shorting, I'm buying.

Pfizer to acquire Array Biopharma

Jun. 17, 2019 7:01 AM | Array BioPharma Inc. (ARRY) | PFE | By: Clark Schultz, SA News Editor

- Pfizer (NYSE:PFE) inks a deal to acquire Array BioPharma (NASDAQ:ARRY) for a total enterprise value of ~\$11.4B.
- Pfizer agreed to acquire Array for \$48 per share in cash in the deal that has already been approved by the boards of both companies

Called out Array years ago since I bought at 3.29

You selling today

I. D.o.n.t know what to do

Before you try to spike the football, should know which end zone your in

Haha

Back on June 17th when the news came out that PFE agreed to buy ARRY, the stock gapped up to \$46, you can see from what he sent me it says clear as day they will be buying the company for \$48. Dumb money number one, he brags how he called it at \$3 years ago, yet his cost basis was in the \$20s. No one cares smarty pants. Dumb money number two, he does not know what to do, shocker. Let's continue to get dumber, shall we?



It's trading at 46.xx but they are paying 48

Talk about a bull....look at the chart

He says that PFE is paying \$48 for the stock, yet talk about a bull, look at the chart, it's going to the moon!



He is holding out! It's going to rip higher! Want to know why? Let's hear why.



S

Steve Oncology Spero Friend >

I think they are gonna be winners long term. Their finances suck, but that's the typical story of bio Pharm stocks before they have a winning drug

All the money goes into R and D and their balance sheets look like crap

He still thinks this stock is going to be around for years and trade higher, yet if he just read the article he sent me, he would know when the deal would be done and he would be holding PFE stock (if he didn't sell).



S

Steve Oncology Spero Friend >

So where arry going now/ over the next 6 months

They have 2 drugs that will get further approvals and a crazy pipeline of good drugs with good data based on my analysis. That's why Pfizer is coming in. They see all their future winning drugs and what they are gonna be able to expand w the 2 drugs

That are

Approved

Those drugs will also be approved in Melanoma and lung cancer in the future

For sure

So what's going to happen to the Stock

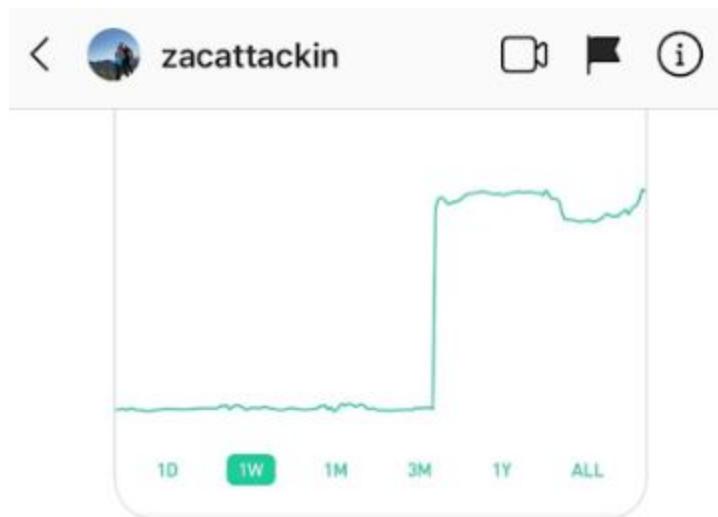
I can't tell you that. I can tell you the Oncology part.....

I was valedictorian of my Med School class and went to the best oncology fellowship in the country.

And am a top Oncologist.

So he knows all about the company, yet has no clue what the stock is going to do, even thought he already told us PFE was buying them for \$48, can you see how stupid this doctor is?

They love to flex how smart they are however ARRY could care less about him being a valedictorian, it's useless info. Now let's see what Zac did who kept it simple!



What took Steve a year of holding ARRY yet he called it at \$3 years ago! Zac made it a week by executing a simple gameplan.



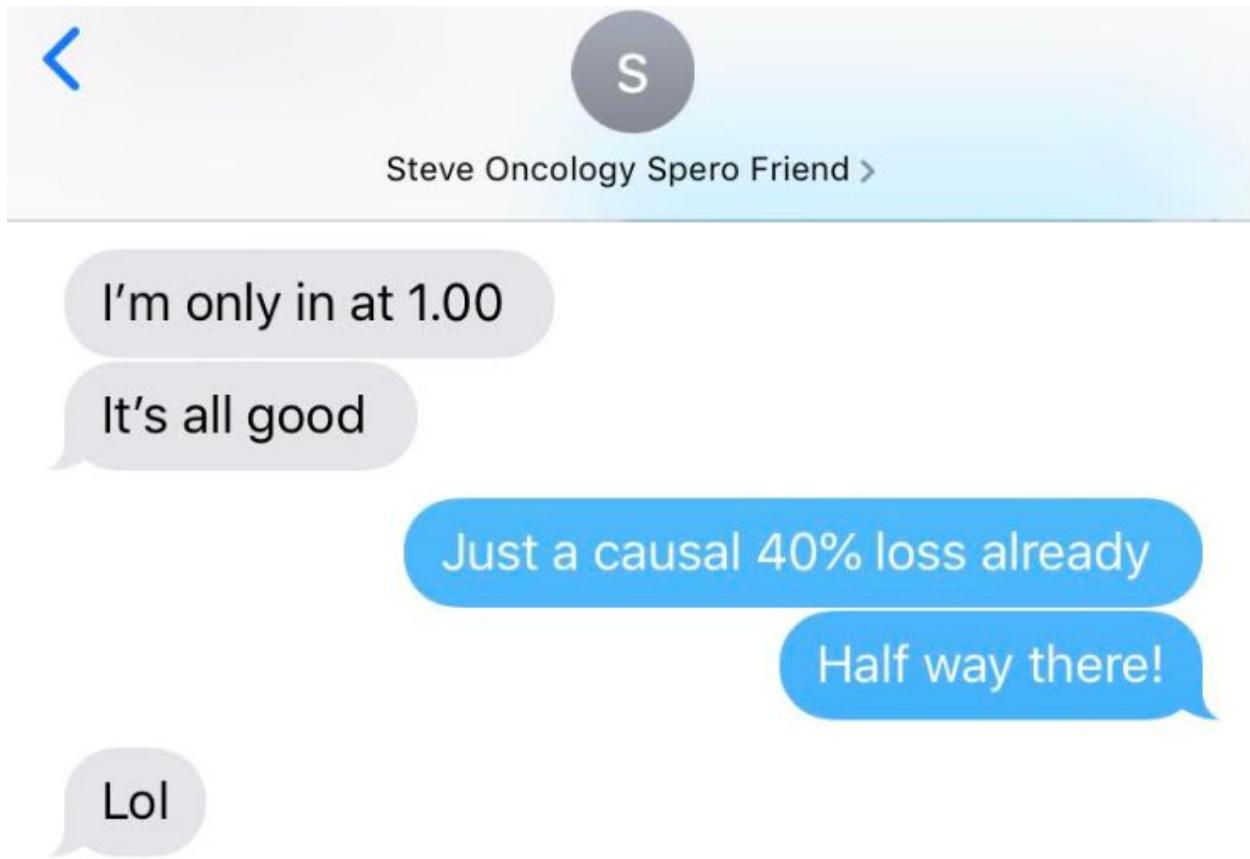
Zac bought up through a resistance level, put in a trailing stop, let the stock work and got lucky and caught the gap up, he knew to sell once it was announced and locked in a monster 1 week gain. Simple grand slam week long swing, while Steve is pouring over documents yet he has no clue that a month later ARRY become PFE.

Now here is the kicker, Zac continued to do what we do, make fucking money. Guess what Steven did?

Tradingexperts24 published on TradingView.com, August 06, 2019 20:55:38 UTC
BATS:HTBX, D 0.6500 ▲ +0.0390 (+6.38%) O:0.6203 H:0.6700 L:0.6120 C:0.6500



He bought a fucking penny stock! He took his 100%+ gain and dumped it into a \$1 penny stock.



What took him years to make was lost in weeks, just like a gambler does!

Taking Profits Task

What happens to the company doing the buying?

What happens to the company getting bought?

Is there more upside or downside in a stock after a buyout is announced?

If you get lucky and catch a buyout, what is your gameplan?

Post your answers in the group chat!

ONCE Upon A Time



I read an interesting line once that went something along the lines of:

"Some of your best friends in life tend to start off as your worst enemies."



ONCE could not be a truer example of this. From the start of the year, I fucking hated this name as it was such a wide and dirty stock. This was where we started to load up when it looked like it was about to smoke that \$65 level, we later realized the real level was \$66 (it pays to pay up).



No matter the circumstances life brings your way, your likelihood of success and happiness is far greater if you take responsibility for your actions/decisions instead of complaining about things being beyond your control. Psychologists call this having an ***Internal Locus of Control*** and studies have shown that people who have it, tend to outperform those who do not.

ONCE tested this theory to the max due to how many times it set up, only to pull the rug out from under us. After taking a setback we could see the full picture. There is a statistic regarding dating, that most guys aim to close on the first date and some do (we all love to brag about that one night stand). However the guy who really pulls, looks at the long game and strikes on the 7th+ encounter. ONCE was no different, it failed at that \$66 area 7 times over 2 years! Luckily for our wallets, it was only the 3rd time that we had tried it.



Now when it finally went, I encountered one of my weaknesses (buying after an extended up move.) I was buying on the 7th green day after being cheap and trying to limit in at \$60 on news and missing the buy. On that 6th day I had to either shit, or get off the pot.

When you encounter your weaknesses you can:

1. Deny them (what most do)
2. **Accept them and improve
(work on turning them into strengths)**
3. Accept them and work around them
4. Change what you're going after

To be consistent, number 2 was the winner. Put that fucking buy stop in and if it goes, hold on. And on it went -- and it was off to the races. After all that it still wasn't the easiest name to hold after that sell off (prior to the earnings gap up) however it was a name that respected levels. So after it started to flag from \$74 to \$80, first go at \$80 sets the high, second attempt at \$80 holds, then third time's a charm. I added more at 80 bucks and it then started to flag again between \$80 and \$84, first attempt holds, second taps the high and quickly retreats, third time back up through that resistance area, added up through \$84.

Now this whole time it's been buy, buy and buy. At some point this name has to start pulling back, so now it's time to start switching gears and offload the newly acquired stock and hold the core (the great stock \$66 stock).

When you have a winner, you ride it- just lighten the load.



So let's recap. Bought \$66, added \$80, added \$84.

Now it pushes to \$88 (first time) pulls back and retests \$84, bounce back to \$88 no dice (second attempt), back down, ok stop out for those \$84 buys. Small profit no biggie, still have the \$80 stock and the \$66 stock. Third time up to \$88 and through, however now it's finding resistance much quicker- only \$2 higher at \$90. Something is different now right?

\$66 broke and went \$8 quick.

\$80 broke and went \$6 quick.

\$84 broke and went \$6 quick.

Now \$88 breaks and goes \$2 pretty slow?

After recognizing this, it was time to tighten up the worst stock, which were the \$84 buys and get stopped out for a few points, then got rid of the \$80 (better stock) for a decent chop and now still have the core buy from \$66.

The whole way up, it was easier to add into strength instead of trying to bid into support.

Looking in our rear view it's always easy to say:

"Of course that worked, I woulda bought at the low and got out at the high."

When you take your eyes off the past and have to look to the future it tends to be easier said than done. In that moment when a stock is pulling into support it tends to look like the stock is about to die, so I'll just add on the way up then when things change, change the game plan.



This is where “ONCE Upon A Time” comes into play. We can see that \$80 was resistance, then after it broke it kept shaking out \$80 but then it would hold this \$79 area (left circle). This is where I felt that "if" ONCE was going to hold, this would be the place to give it a shot. It had gapped up on news to new all time highs and crapped the bed. It followed with an inside day and down for 3 days in a row, holding that \$80 area

perfectly. We have all taken those trades, the “tight risk” support buys that flush and rip in our faces. Knowing that \$80 shake was just screaming, it had to do it to cause the most pain before the turn. I throw my bid into “*The Shakeout*”.

Next day off the open ONCE flushes \$80, my \$79.10 bid gets hit and before I can blink it's back up to \$82 (great sign). Now I did want to add backup through \$82, however I made an excuse and didn't click the button (something to work on).



So can you *trade* and *hold* a name at the same time?

After reading this recap, hopefully you can get a little more insight on the topic. I will still *hold* the \$66 core, and will *trade* this \$79 buy (just like the \$80 add and the \$84 add) as a *trade*. Always remember:

"Poor people hope, rich people plan."

LITE Work

By now you are more than likely aware of the term “*Odd Lot Theory*”. The title of this lesson is as Odd Lot as they come and you will find out why by the end of it.



We all were aware of the \$60 level in LITE, however given the run it had and how wide it trades I was looking for a tighter spot to get in. I found one after it failed at the \$60 level and pulled in for 3 days putting in a Doji at lows. Now have a peep at the chart below. This entry looks oddly similar to the MELI buy into support.



"We learn so much from mistakes, it gives you loud signals, you don't grow from success it's what keeps you doing it." Ray Dalio

Similar to the MELI support buy, with LITE, I too was just a tad too early (sound familiar). This is why we focus on buying on the way up with the trend instead of trying to catch support. However, sometimes we need to try new things- like the hot sauce from the Halal Trucks on East 56th.



A recurring lesson that I need to fix was just like MELI, I was too early, but it did hold that next level of support and offered a great low risk entry. Similarly with LITE, I was wrong quickly as it pulled in 5% in two days. Now hindsight is always 20/20 however the retest of support is usually the highest probability of it working. In August when LITE free fell from \$64 to \$50 it was hard to know that was the low until after the fact (hindsight). The first retest however, is much more clear with a defined out. Now if it got back down to \$50 a 3rd or 4th time, then the trade is fucked. Rookies are the heroes who try to call bottoms, professionals trade near the retest of support. Pack your big boy pants though, buying into support is no Central Park stroll on an August evening with your dime piece. It is always wise to avoid the junkies though, which are the equivalent of buying into support that deathly third or fourth time...



Paralleling MELI to this LITE trade and learning my lessons from [The Round Trip](#) lesson, I knew I had to add back up through a set up. I didn't have the balls to average into a loser, but I would add back up when I'm flat and the name is flagging. First buy was \$55 into support, sat through some pain, and added back up through \$56.

"Memory is best reinforced by repeated exposure."



After the add, we got an inside day, and then the next day it finally goes. Now could I have added again? Probably, right? Note taken. So we catch a quick pop but it still seems there is a \$60 seller that doesn't want to let up just yet. After the next day you can see that doji at highs, time to take profits and take off the \$56 buys. The next day it still couldn't break that \$60, took off most of the \$55 buys. Now the real level was \$60, so if I wanted to kick these \$55 and \$56 buys in front of \$60, then I had to buy this fucker back through \$60 no matter what.

"The tighter the level the more valuable the add."



So what happens? It ticks \$60.10 and gets me in, only to do the same song and dance, pull right back in a fast \$4 bucks. Now I'm starting to get a feel for how the name wants to play. One day the coolest chick ever, next day she's slashing my tyres.



From the get go I was playing defense against LITE, first buy was wrong, second add was ok, locked in some profit on a pop in front of resistance. However now, I have an even worse price in the process. Sure some PnL locked in, but still looking at a sea of open red PnL. If this was a boxing match, I was definitely getting my ass kicked for the first few rounds.

Now this was my time to turn this franchise around. We can see how this \$55 area has been somewhat of a battle ground and LITE is a pretty wide name intraday. On the day in question when it ripped, for the first few hours of trading it was the smallest doji day for this name in the longest time.

Peep below...



\$1 risk in a name like LITE with a well defined out? Time to add back -- and it ripped closing near the high of day in front of \$60. Now I just bought \$60 a week ago and got a sick price on my add, just like the \$56 add, and I didn't add more. Learning that lesson, as shitty as it was, I had to buy \$60 again.



Now if you say it outloud “*Buy, Add, Kick... Buy, Add, Add.... Kick, Kick...*”

Sounds like a sparring match right? Just you and the stock battling it out back and forth. I’m not waiting for the one knockout punch to top tick LITE at \$1,000 and retire on a beach, I’m looking to jab and duck, regroup, rinse and repeat.



Now after the fact, you might be thinking, "It was flagging and you sold into it," which is correct. However as you can see, just when it looked easiest to buy that \$64 flag it was just before the move was over. No one wanted to buy \$56, now everyone wants to buy \$64. Caught the flush up through that major level and sold the rest of the \$56 buys for 16%. Earnings came out and didn't have the momo to rip that level. Now big picture wise it looks even better right?



Knowing this name (or any name for that matter) when you get these vertical moves you have to lighten the load. That \$60 level was no cake walk, and who is to say \$65 will be a fun one? It will probably be more like leaving your Aston Martin running outside of a liquor store in the ghetto. For now we locked some decent chops and will have a full tank of mental capital when the next set up presents itself.

One of the Alpha members had said that I made LITE my bitch (think it was *T Fresh*) because they remembered the most recent call from \$56 before it ripped 12% in 2 days. However, I was battling that name all month and finally got her on the ropes in the 10th round.

It was by no means *LITE work*. It was fucking hard work as trading tends to be. I will buy through \$65 and within a year LITE should be an \$80+ stock, the million dollar question is how does it get there and how long can we ride it?

Taken for \$10,000, twice in 1 week....



I t's the first week of the new year, like most people I was setting goals for the year ahead -- “New Year, new me!” At this point in my trading career I was given the green light to trade “remotely” meaning that I didn't have to wake up at 3:45am to catch the 4:40am bus to NYC and track my ass down to Wall Street before the city traders were even rolling out of bed. Mr X had a penthouse across the street and would wake up at 9:15 and stroll in at the opening bell. I was no Mr X, however I was no longer a piker who had to hide the fact that I had an Aston, (even though I only drove it in once a week. \$100 a day in tolls, gas, and parking is wildly impractical) still kept the fact that I had a limo low key, didn't want everyone on the desk to start calling me Wolf of Wall Street (not something real traders took as a compliment).

I could sleep in until 8 do my morning prep and trade the open from the comfort of my couch. This relaxing morning would turn into one of the most volatile days of my life. There were life lessons I learned about myself that day that most can only imagine from watching movies like *Taken* when I was about to live for real in a few brief moments.

It was around noon, and my phone started to ring, it's a random number but I decided to pick it up. It's a strange voice yelling frantically “IS THIS BENNETT??!!”

“Yeah who's this??” I reply confused

“YOUR DAD JUST GOT IN A CAR ACCIDENT!” the stranger shouts

Less than 2 seconds later, keys in hand, I'm running out the door. The Aston was blocked in by the limo, so I quickly hop in the limo and burn out and head off to god knows where...

"WHERE ARE YOU? I'M COMING, I don't know where I'm headed?" I yell back.

All of a sudden the voice of the stranger's tone changed abruptly.

"SHUT THE FUCK UP and listen to ME!" the stranger demands.

"Tell me where I'm headed!" I demand.

"Listen to me motherfucker, if you ever want to see your fucking father alive again you better fucking listen." he says with conviction.

Fuck, ball's in your court, however now I need to play nice because I have no clue as to what the fuck is going on.



He goes on *"Listen I'm going to be straight with you, I'm an ex con from Puerto Rico, and have warrants out for my arrest. Your dad hit my car and he was flipping out"* (something my dad would 100% do) *"he was causing a scene so I pistol whipped him and he was bleeding so I had to take your father"*. Cruz explains in such a casual voice as if I'm one of his homies in the yard. Homie I am not.

If you have seen the movie *Taken*, then this is about as real life as I could relate it. However this is real life not a fucking movie.

At this point I am 2 minutes into this phone call and literally speechless, so I mutter *"what do you want?"* (the obvious answer is money).

The voice on the other end switches to a different voice, his older brother introduces himself as Hector, and explains that he got roped into this situation and that his younger brother Cruz is a piece of shit (no, really?) ex con wanted for attempted murder. All I needed to do was pay to fix the damages to the car and we'd be straight.

I couldn't have fired off a faster response "*Done, how much? I will bring you the cash right now, where am I headed?!*"

Mental Note:

Cruz - Dick head, convict, emotional, paranoid, wildly irrational.

Hector - Nice guy, older brother, voice of reason, calm, rational.

Now if you've seen us on IG, you might have seen us make it rain with \$100k in cash, so paying some loser off is not even a question. I carry \$5k to \$10k on me to go to Chipotle. Necessary? Absolutely not. However there is a feeling of reassurance knowing that you can pay for mostly anything "*if*" needed. To me there is nothing more cringe-worthy than watching a guy pull out his debit card asking where the nearest ATM is.

(Pro Tip: real men carry cash)

They are not prepared for my quick response, at the moment these guys were flawless and on point. Looking back there were some chinks in their armor but they had me reacting off of emotion so I was off my game. We can relate this to trading where new traders will say "*BABA was so easy from \$100 to \$200*" yet we ask them "*where will it be in 6 months?*" much harder right? Same here when you're in the shit, it's much harder than looking back in hindsight and reflecting on it as I am doing right now.

They tell me that they want \$5k cash and that if I call the police or hang up the phone for any reason, they will kill my father.

"I understand completely I will not hang up this phone, where am I headed?" I reply.

Cruz is paranoid, "*What do you mean? You have the cash? You need to go to the bank and get \$5k*".

He cannot comprehend that I have the cash on me and thinks that I'm scamming them. Given that I cannot explain why or how I have that "much" cash, I figure they're in charge, I'll go to the bank and take the money out.

I get the cash, looking suspect as one could look, flying into the parking lot in a stretch limo sweating, talking on the phone to a kidnapper asking the bank teller for all \$100s on a measly \$5k withdrawal, she doesn't bat an eye and I'm off.

"*Ok, I got the money, you heard me in the bank, where am I headed!?*" I ask for what seems to be the 100th time!

"*Go to the Mcdonalds at the corner of market and Essex in Hackensack, you have 5 mins or we are leaving*" Cruz states.

I am 15 minutes out in a fucking stretch limo, but no excuses. I will be there, running red lights, splitting traffic, driving on the wrong side of the road, no problem. To put this in perspective this ordeal lasted over 8 hours, I must have broken 100+ traffic violations and did not get stopped once. It's actually mind boggling thinking back at how reckless I drove that entire time- and in a limo nonetheless.

After 8 mins, he tells me I'm late and they're not waiting, it's a setup he claims. Yeah you called me, kidnapped my father for ransom and I'm setting you up, ok.

However, they are holding all the cards, so I have to play to their hands and cannot lose the little rapport I have because that's the only good stock I have (other than the cash that is keeping my father safe).

They tell me that I will have to pay them first before they will make "*the drop*".

"*No problem, where am I headed?*" They tell me to wire the money and we'll be good, so I do as they ask and go to a CVS and western union them the money. I hop back in the limo, pumped that this ordeal is reaching the finish line and that I can get my father and get him to the hospital.

"*The money is wired, here is the confirmation code 43XY23454FGR43Z*" I tell Hector.

"Thanks Ben, you're doing great. Sorry for this, I fucking hate my brother for roping me into this, I have kids man." Hector replies. He goes on to tell me about his family and

kids, I attempt to be sympathetic however it takes all of my mental capital to pretend to feel sorrow for the person who is currently holding my father against his will.

I reply "*I know Hector, I want this to be over just as fast as you do.*"

All of a sudden I hear yelling in the background and Cruz is back on the phone.

"MOTHERFUCKER, you trying to fucking scam me motherfucker, you fucked up the wire, it's no good you mother fucker, fuck this he's dead!" yells Cruz.

I have never gone through such a wild swing of emotions, a few moments prior it seemed as if the ordeal was over, smooth sailing almost a brief feeling of euphoria, everything was calm and now I am seconds away from losing my father over a mistake I made at the hands of some convict.

In this exact moment the hopeless feeling that comes over me knowing that there's almost nothing I can do was mounting. I can still vividly remember that feeling at the red light on Essex street in Hackensack holding the phone to my ear thinking about what I had done.

I'm yelling back that I did everything right but it's falling on deaf ears.

Hector, the older brother gets back on the phone and says *"Calm down B, you left 1 box unchecked that holds the funds for 24 hours, had you checked it, it would have been available immediately. Look on the back of the receipt you can get the money back tomorrow, for now you will have to go back to the bank and do this again."*

I apologize and tell them I'm still here and can do another wire since I still have the cash that they didn't believe I had, yet these dumb fuckers still couldn't believe it. So I flew back to the bank for another \$5k withdrawal and did it again, and it worked this time.

At this point I am around 8 hours into this ordeal, phone to my ear flying around northern New Jersey doing everything they ask to make it to "*the drop*". They tell me to go to my father's house where they will pull up and toss him out of the car. If I approach the car they will kill him and presumably me. I comply and race to my father's house. As I get there I park the limo across the street, leave it running (just in case I need to chase them or if something goes wrong) and run into his house. The front door is unlocked, and I grab his 9mm beretta that's always locked and loaded in a hidden spot.

The whole day I played nice, complied with their demands, and didn't lose my cool. If I cursed them off, I lost- and by lost this meant I would lose my father. At this point, I am still on the phone and have the gun tucked under my waistband knowing that once my father was tossed out of the car, it would be on. I am not letting this guy get away, calm as a cucumber no hands shaking, I am ready to take Cruz on. There will be all of 2 seconds where I will have my shot to even the score.

They tell me they're 5 minutes out, I'm tucked behind a tree, phone to my ear and my other hand clutching the Beretta under my Burberry jacket. I turn back and wonder why was the front door open to my dad's house?

As I turn around again and look at the big picture, why the fuck is his truck parked on the side? Did these kidnappers really go the extra mile to bring his car back? Granted they know his address (assuming they had his wallet), but did they really go the extra mile to drop his truck off?

I run back inside again and head to the back of his house to find him sitting watching tv.....

"Hey Bennett! What are you doing here!" My dad says cheerfully.

I don't skip a beat *"Dad grab your Magnum now, they're coming!!"* As I have his Beretta in my one hand cocking it and my phone pressed to my ear with my shoulder holding it up (with the phone on mute for all of 2 seconds so Cruz can't hear).



He's looking at me like '*what the fuck is wrong with you?*'

Now at this moment, you might be realizing that this was a scam, which it was (thank fucking God). However, at that moment, I quickly came to the conclusion that it was still on, and that they had my uncle who lived close by and mistakenly called me instead of my uncle's son. I was so wrapped up in the moment (just like when your friend joins the latest MLM scam, ever notice how adamant they are that it's going to work - or in this case, that this was actually happening).

My dad goes "*Uncle Ben is in Miami!*"

I am rushed with every ounce of endorphins left in my body and start to hysterically laugh. I have spent 480 painstaking minutes on the phone with these guys and just hang up on them. No goodbyes, no fuck you you're dead, just click.

(It was an iPhone so I really just hit end call.)

We went to the police station and reported it, yet the cops were more concerned by my lack of concern for the money lost. For me the money meant nothing, my father was safe and that's all that mattered. Remember how I fucked up the first \$5k wire? I didn't, that was just part of their script to get me, the mark. To think that I only lost \$5k when I actually lost both. Have to tip my hat to them for that, a very smart parlor trick that I didn't realize until after explaining the story to the police, twice.

Now this is only Monday, the first week of the new year, so no biggie life goes on. The funny part in all this is that I know who these people are. When you wire money it has to go to the actual scammer or someone they trust enough to pay them. I know where they live, but after it was all said and done, I was happy for them. The lessons I learned were worth every penny. I know now that if another version of *Taken* were ever to happen again in my life and it is actually real, I know that I can react under pressure.

Later that week there was a business associate through a mutual friend that owed me a little more than \$10k so I figured at least I could get back to even on the week. The friend knew what had happened to me earlier in the week and timidly relayed to me that the degenerate wasn't going to pay me back.

"*Let him keep the money,*" I reply.

"*The whole ten thousand?*" My friend asks confused?

"*It's cheap, now I will never have to deal with him again*" I reply calmly.

The first week of the new year I was now \$20,000 in the hole and couldn't be happier. I learned in that week that money means absolutely nothing to me and to never get emotional over it. I had a vacation planned at the time to Mexico (ironically where the money was wired to) for a week with my GF at the time. She was trying to sympathize saying she understood if we didn't go due to the \$20k haircut. But fuck that, nothing's changed we're still going and we're going to have a blast.



I came back from the trip and made it all back, by the end of the month I was green. I made back what those suckers took from me with a smile and a tan in January.

Now after this happened, I started to do my research on how these scammers work. We've all gotten the Nigerian prince email who has \$1,000,000 and needs some money for a bribe or the lowest amount of taxes ever to bring the money over, and you're rolling your eyes like '*no shit I've gotten that email 100 times and know its a scam*'. That's the exact reason the scammer doesn't want to talk to you, they want to talk to the 0.000000001% of the population that are dumb enough to think that it's real.

Now you might be thinking aren't you that dumb ass percent of people? You just got scammed for \$10k from those exact people? The answer is yes I did get scammed, however had those scammers tweaked their approach of selling fear, life or death and urgency and stopped to ask me a few questions, like what do you do, what are you driving etc, they could have just as easily taken me for \$100,000 that day.

Now these scammers were selling fear, life or death, and urgency, a hard tactic until you really know your mark. However on social media we see the flip side of the scams, the “*you're missing out on this easy money!*” No experience needed, 95% right, little money needed, make money in your sleep type scam. 5-10 years ago it was penny stocks (even after people watched *Wolf of Wall Street*) they still think they are not getting scammed. Then after the mass or most of the mass becomes aware that penny stocks are for losers, they tweak the scam. Same pitch different product, after penny stocks it became the Binary Options scams, then the Forex guru scams and now with Bitcoin at \$11,000. Everyone is all of a sudden a Bitcoin guru yet they all follow the same 4 pillars.

1. No experience
2. No or little money (broke people)
3. 95% right
4. Make money in your sleep (lazy people)

Now you know why you see us exposing scammers on IG. We will get DMs from people wondering if said “guru” is legit or not and 99% of the time after just two minutes of digging, the red flags come up.

We are starting to see scammers pretend to be “old ladies” to seem nice and trustworthy yet you can quickly figure out it's a guy behind the scenes.



So if you are ever wondering why we expose and shit on these scammers, now you know. A wise trader used to say in our morning meetings “if it sounds too good to be true, it usually has a dick”.

Chase the CAT



Holding a name tends to be boring and slow. Forget the thoughts of Wolf of Wall St or 'blue horseshoe loves anacott steel'. Holding for the meat of the move tends to be a slow grind. CAT is a prime example. Now the original buy was almost 8 months ago so you might not remember the entry, which is different from our usual 'buy through resistance' plays.

"The things that are easy to do, are also the things easy not to do- like being patient."

CAT's first buy was based on the news, yes news, and bad news at that! Triple whammy, a member had mentioned "*CAT is fucked, the SEC is fining them \$10 million due to tax fraud!*" Did the stock sell off 2-3% with that news? Yes, it's headline news, however CAT is a \$90 billion company which had over \$68 billion in sales last year (also with a B). Their daily sales are almost \$180 million and this "massive fine" isn't even close to leaving the penny at the counter on a daily basis, let alone annual basis.

So is that news important? For 7 hours of a trading day sure. In the grand scheme of things who the fuck cares.

Question number 2 was, are any contractors who build fucking skyscrapers or virtually anything that requires a big machine all of a sudden going to put their \$40million CAT cranes for sale on Craigslist and buy some shit Chinese bootleg brand that also paints their machines a similar yellow color? Fuck no.

"It's never your thinking that makes you big money, it's your sitting."

Jesse Livermore



Big picture wise, CAT had been on a monster run off lows and was flagging near highs with support being around \$90 (the line in the sand).



After the first buy and \$90 was holding, added some more, then it gapped, shook the people out chasing the gap and just slowly grinded higher. No wild 5% days, just a slow grind. 8% here, 1% there and now we were 50% higher.



After CAT started to flag again I was able to add through \$116, and as I usually do, I will sell the shit stock first and keep the real winner (LIFO, for those accounting at home).

Buy \$96, add \$93, add \$106, add \$116.



Sell \$106 and \$116 buys at \$120, keeping the great stock \$96 and \$93 buys, but what a fucking mook selling the \$116 stock so fast! 3rd time's a fucking charm and it's up a quick \$25. It was not quick, though the weekly chart makes it seem that way.

“Evolving is life's greatest accomplishment and one of it's greatest rewards.”

It flags again and I don't add, lesson learned. Similar to BABA after buying \$104 and selling \$120, not taking the lay up \$125 and \$140 flags. The stock doesn't care that you made 10-20%, 10-20% ago, just like the girl on Saturday night never knows about the girl on Friday night unless you tell her. (Pro Tip: Keep your fucking mouth shut.)

After the earnings beat I finally sold most of the \$96 stock to lock in around a 40% gain in 6 months. Now chart wise it is still setting up and I will buy back through \$140 because I know there's still more left in the tank. For now I will hold what I have since I've lightened the load enough to be patient until the time is right to add.

Trailing Swing Trades with Moving Averages

It's no secret -- we like to keep things as simple as possible. We barely use any indicators and we have never once used any sort of 'scanner' to find setups. But - I do look to moving averages to guide me along the way. The most difficult aspect of nailing the huge swing trade winners is the day to day gyrations, and the deathly pullbacks that become pivots along the way.

We utilize our method of "trimming and trailing" to sell into strong moves so we're booking profit as well as making the pull backs much easier on the emotions. One way to systematically capture these huge trades, along with timely selling into strong moves is through the use of moving averages. We touched briefly on moving averages in earlier lessons, but we haven't dug into their usefulness in long term swing trades until now. The reason moving averages work so well is simply the fact that they are so widely used by traders and money managers alike.

Firstly, you don't want to base trade entries on moving averages, rather use them as a layer of probability to add to your trade. However, when taking profit, you can use different moving averages to scale out of winners systematically while both giving the stock room to breathe and taking profit into strength.

Moving averages are lagging indicators that can guide entries and exits really well. They are the average of past price data, meaning they're not a predictive tool but a reactive tool. They are not the holy grail, but they are a way of looking at the current trend, depending on your time frame, giving traders another simple tool to judge price movement. Remember, the shorter the time frame, the more a stock's movement is subject to 'noise' in the form of false signals. The larger the time frame, the more clear trends are (as well as the accumulation & distribution patterns of a security).

Secondly, a stock needs to respect a moving average for it to be useful. If the stock has danced up and down through the moving average 100 times, ripping through it without a hint of slowing the stock down, then it isn't respecting the moving average and we won't rely on it when looking for signals.

Let's look at a few examples of moving average trails being useful.



This is a TSLA downtrend breakout that began late 2016 and ran until mid February 2017. The trigger price was in the \$204-208 area. TSLA is known to be a great swing trading name because of the momentum moves higher that often punish shorts.

Let's first look at the **BLUE Arrows**. When a name like TSLA breaks out, it moves FAST to the upside, but when names move higher so quickly, it leaves them vulnerable to vicious pull backs when looking to capture a bigger picture move. While the daily bars look small in the picture, know that Tesla's average daily trading range is about \$6-8. It's not uncommon for a wide range day to move \$15. So in order to hold onto this guy with size, you need to be able to systematically trail it so you don't focus on the dramatic P&L shifts you'll experience.

The **Green Arrows** focus on an extension the stock makes. This is when momentum forces the price to get a bit ahead of itself, and causes the stock to rise, or extend dramatically away from its momentum moving averages. It is wise to take some profit into these moves (depending on your time frame) because after an extension, a regression to the mean is in order. A regression to the mean will be the movement back to the momentum moving average (in this case the 8sma) in the form of a pull back.

When such major expansions take place, the risk/reward skews against the current position in such a way that the odds of losing profits are greater than the potential of the extreme trend continuing.

The **RED Arrow** and circled area is when the stock finally closes definitively below the 8sma on high volume at about \$270-275 depending on where you took it. From a \$204 entry price on a few dollars risk, that is not a bad trade.

The first move is from \$204 to \$224 and pulls all the way into \$210 (bottom blue arrow) before making it's next leg higher.

The top blue arrow pointing downwards is the first example of an “extension” we see in the pattern. An extension, as aforementioned, is when the stock’s price breaks away from moving averages signaling that a slight pull back, or consolidation period is in order.

In order to cause a sell signal, the price must be definitively below the moving average so generally you must make your decision whether to sell or hold at the end of the day.

It's wise to generally use an "emergency stop" 2-3 % below the moving average price in case of a disaster scenario playing out in the market.

When using these moving average trails, you need to be much 'looser' with your position. This is definitely geared towards the patient trader looking for the bigger macro move. When using these as trailing stops, the most difficult aspect is that you can't have a hard stop right on the moving average's current price -- it must close the day below the moving avg -- usually make these decisions in the last 30 minutes of the session. Take profit if not recovered by end of day.

Choosing your trail is choosing how quickly you wish to take profits. It's also a recognition of the type of trade you are in. If you are in a momentum trade, your best bet is trailing on a shorter period moving average such as the 8day so you are able to systematically lock in some gains. This is the trail I most often use. You could also have tiered stops where you trail a portion of your position on the 8sma and another portion on the 21sma. Here is a momentum trade for ANAB that I'm currently in that I'm trailing on the 8 SMA.



The 21 day marks the more intermediate trend, and gives the stock more room to breathe so you can filter out the noise of intraday gyrations. While the 8sma is a tight trail you will have to somewhat actively be watching. A 21sma trail is looser and is geared towards the bigger picture movement of a stock. If you're basing your trading off a weekly chart, it may be ideal to use a 21 day trail. If you don't plan on being in the stock for weeks, don't even think about this type of trail as it is not at all geared towards you.

This is known for being a "wide momentum trail" and it is very difficult to handle because the gyrations of high beta stocks are often \$10 or greater, so holding major relative size is not easy in this one. I will generally trail a small portion of a position like this to keep me in it, but a small enough portion that I won't be upset if I have to give it all the way back to my price. These trails will not have you taking profit at the top of a trend but when the momentum is definitively gone from the stock.

Here is a \$50 breakout in AAOI where a 21 sma trail is useful. Notice the 8sma trail stops the trader out a few weeks earlier at \$62 but also deals with much less volatile activity in the stock (albeit, eventually rising). This type of trail is geared towards the home run trade you want to be in for 3 months. You will give many more trades (that once looked good) back for break even with this type of trail, but you will also hit more home runs. If you're a singles and doubles guy, use a tighter trail than this one.



The 50 sma trail can keep you in growth stocks for months. It is generally utilized by big funds, who take months to acquire positions. Their massive position size forces them to focus on the bigger macro picture, so the day to day gyrations aren't of their top concern. Their P&L swings in these trades are tremendous, which is why this type of trail is rarely used by active traders. Since we trade with much relatively smaller positions, we have the advantage of maneuvering in and out of stocks during extreme

buying and selling periods. In strong momentum trends, price tends to extend so the 50 sma is too far away to use.



Moving Average Crossovers will keep you in a trade longer than just depending on any single moving average by itself.

The reason crossovers are so useful in trailing stocks if the stock has been respecting moving averages (and not dancing up and down between them), is because they definitively show something has changed in the trade. This technique completely eliminates all emotion from the equation.

A moving average crossover creates an exit signal when a shorter term moving average crosses a longer term one, such as the 8 day crossing over the 21 day. Your personal trading time frame and methodology will determine which moving average trails you utilize. Be aware that short term moving averages can generate false signals for longer

term trends. Longer term moving averages can give back a large portion of profits before triggering an exit. It's important to be able to find that balance or that 'sweet spot' where you can utilize your knowledge about all moving averages to your benefit. A crossover system is powerful because it waits for double confirmation to tell you some sort of trend has changed - depending on which periods you're looking at. For a momentum name, a crossover of the 8sma underneath the 21sma is a signal that it may be time to peel some off. By using the signals from two moving averages instead of one, it is like a double confirmation.





Some common Moving Average Crossover pairings to look for:

- 8sma/21sma - By FAR the most used crossover
- 8sma/50sma
- 21sma/50sma
- 21sma/100sma
- 21sma/200sma
- 50sma/200sma - “Golden Cross” - used by Hedge Funds

The goal in these systems is to systematically create a game plan to keep you in your best trades as long as possible. We always say “hold your winners” but let’s be real, when the market is heavily selling and you have a huge draw down in paper profits, it’s not very easy to sit through the pain. Systematically approaching the trail allows you to curb these emotions, take profit into strength and wisely trail your stock while giving it some room to breathe.

To Sell or Not to Sell?



That is the question, more often than not. As much as we all hate when we utter the words "*shoulda, coulda, woulda, hope and guarantee*" when it comes to your trading or anything in that life, we are still humans. At the end of the day it is something that needs to be addressed. Usually there are two scenarios that play out:



"I should have held longer!"



"I should have sold sooner!"

If you are looking back at your recent trading and keep repeating “*fuck I should have held longer*” well guess what? Hold your positions longer! If you look back at those same trades and say “*damn I should have gotten out sooner*” well guess fucking what? Start selling shit sooner. It's not rocket science. For most traders we tend to seesaw back and forth between those two questions, and usually when we get in the middle is where we get chopped up and lose conviction.



We've all had that trade that we had a tight risk out and we said “*nah I have to give it to the real out*” only for it to hit your stop by the penny and rip right back up while you sit there with your dick in your hand. Then the next trade you go, “*I'm going to keep it tighter*,” only to double fuck yourself because then you get shaken out *again*. This is the chop that kills your mental capital as well as your actual capital.

This is the reason why you need to take a broad look at your trades, a real sample size, not 1 or 2 trades and justify such a change. These are just stocks we don't have a good read on and we cannot let those few take us off our game. However if your last 10 trades you left 10% on the table then it's time to reevaluate these two questions.



If you find yourself uttering one of those two phrases keep it simple and follow this simple advice, do what you keep saying you should be doing.

Finally, trading is an endless process. You are constantly making improvements and adjustments to your strategy, even years down the line. We aim to keep everything as simple as humanly possible as we continue to do what works and shed the bad habits that don't. In the beginning, trading is all about building your account so you need to be focused on constantly booking profits.

Use these tools to help guide you along the way.

Always remember it ain't a win, or a loss, until you click the button!

Taking Profits Final Task

To move onto Swinging with Sharks recap 3 key lessons learned regarding when you should take profits in your swing trades!

Post I am reading for Swinging with Sharks!

To move up to Step 9 Swinging with Sharks

**Trading Experts 10 Step Challenge
To The Alpha Chat**

