TRADING EXPERTS EXPERTS

CHART READING HANDBOOK

FAST TRACK YOUR TRADING PROGRESS

Trading Experts Presents the:

Chart Reading Program

We aim to simplify the complexities of the stock market as much as possible. We find that you need to be extremely picky when buying/selling equities as the percentages of you being right are not in your favor - especially if you don't use a consistent system.

Since we use a smaller time frame in our trades (few days to weeks), we have found it to be profitable to buy strong stocks and short the weak stocks. What do I mean when I say "strong" and "weak" stocks? A strong stock is usually located at the top right of its daily chart, while weak stocks are located at the bottom right, indicating relative strength or weakness compared to the broad market. We are not the type of traders to call a top or pick a bottom, rather, we take advantage of a trend and follow buying or selling. Strong stocks tend to rise and weak stocks tend to fall, it's as simple as that.

There are no guarantees in the market. Selectivity and risk/reward is the name of the game. With a proven method like ours, you too can have the odds in your favor and make money anywhere with an internet connection.

In the prior handbook, we went over subjects such as why we buy a stock, what matters most (price), what a proper game plan is, the two most important chart patterns (bull flag and bear flag), proper risk reward, ideal gameplans and reviewing your trades. In this more advanced handbook, we will show you some of our recent trades that put all these ideas that we have gone over into real world examples. As well as a few more of our more popular stories! We will show you what we did, what we could have done better and how you too can profit from what we've done next time you are able to spot what we look for when buying a stock.

From Shake and Ben G

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12 Trading Commandments

1. Buy the first pullback after a new high. Sell the first rally after a new low.
2. Afternoon strength or weakness should follow through the next day.
3. The best trading reversals occur in the morning, not the afternoon.
4. The larger the market gaps, the greater the odds of continuation of a trend.
5. The way the market trades around the previous day's high or low is a good indicator of the market's technical strength or weakness.
6. The previous day's high and low are two very important "pivot" points, for this was the definitive point where buyers or sellers came in the day before. Look for the market to either test and reverse off these points, or push through and show signs of continuation.
7. The last hour often tells the truth about how strong a trend truly is. "Smart" money shows their hand in the last hour, continuing to mark positions in their favor. As long as a market is having consecutive strong closes, look for the up-trend to continue. The up trend is most likely to end when there is a morning rally first, followed by a weak close.
8. High volume on the close implies a continuation the next morning in the direction of the last half-hour. In a strongly trending market, look for resumption of the trend in the last hour.
9. The first hour's range establishes the framework for the rest of the trading day.

10. A greater percentage of the day’s range occurs in the first hour than was the case in the past, and thus it has become increasingly important to trade aggressively if there are early signs of a strong trend for the day.

11. There are four basic principles of price behavior which have held up over time. Confidence that a type of price action is a true principle is what allows a trader to develop a systematic approach. The following four principles can be modeled and quantified and hold true for all time frames, all markets. The majority of patterns or systems that have a demonstrable edge are based on one of these four enduring principles of price behavior. Charles Dow was one of the first to touch on them in his writings.

Principle One: A Trend Has a Higher Probability of Continuation than Reversal
Principle Two: Momentum Precedes Price
Principle Three: Trends End in a Climax
Principle Four: The Market Alternates between Range Expansion and Range Contraction

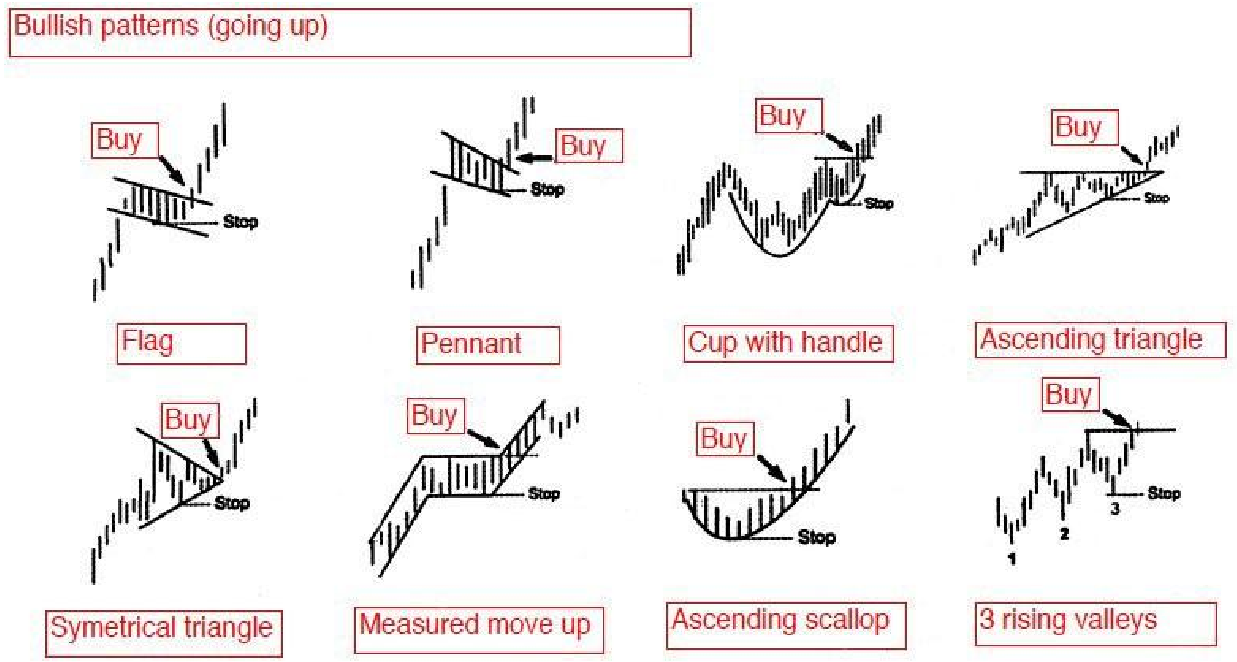
12. In the world of money, which is a world shaped by human behavior, nobody has the foggiest notion of what will happen in the future. Mark my words – **Nobody**! Thus the successful trader does not base moves on what will supposedly happen but instead reacts to what does happen.

Chart Reading Task

In the Chart Reading Group Chat post which commandment surprised you the most and what you learned from it.

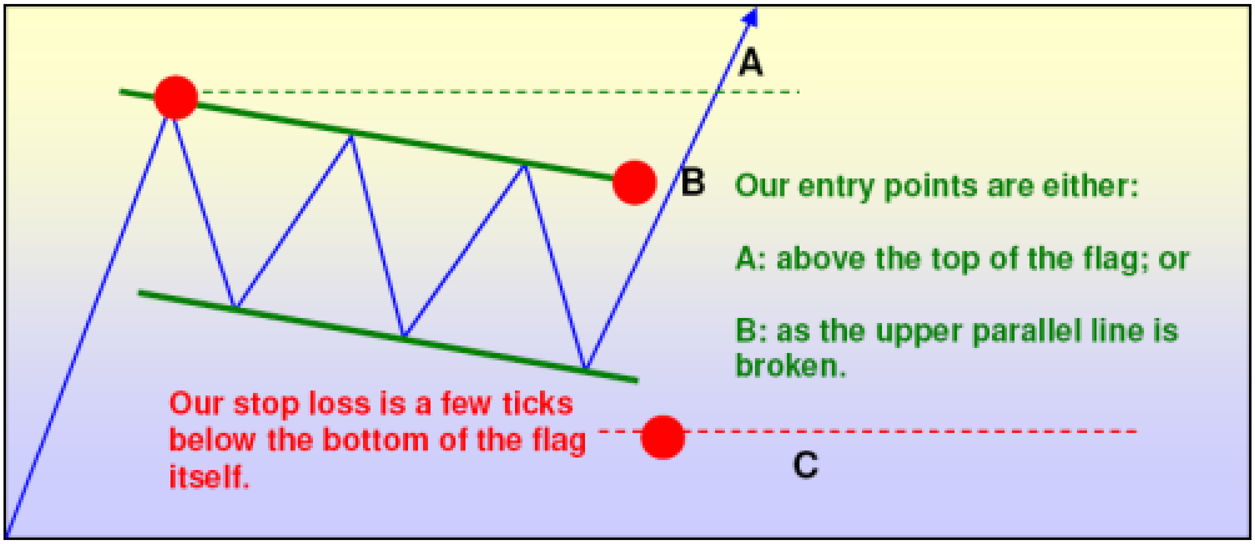
POST IN THE CHART READING CHAT

Chart Patterns



As you likely already know, our favorite chart pattern to execute a trade off is a bull flag. It has worked for us countless times and it indicates that the trend could continue in the future. However, it is important to understand all of the major chart patterns technical traders utilize.

1. Flags & Pennants



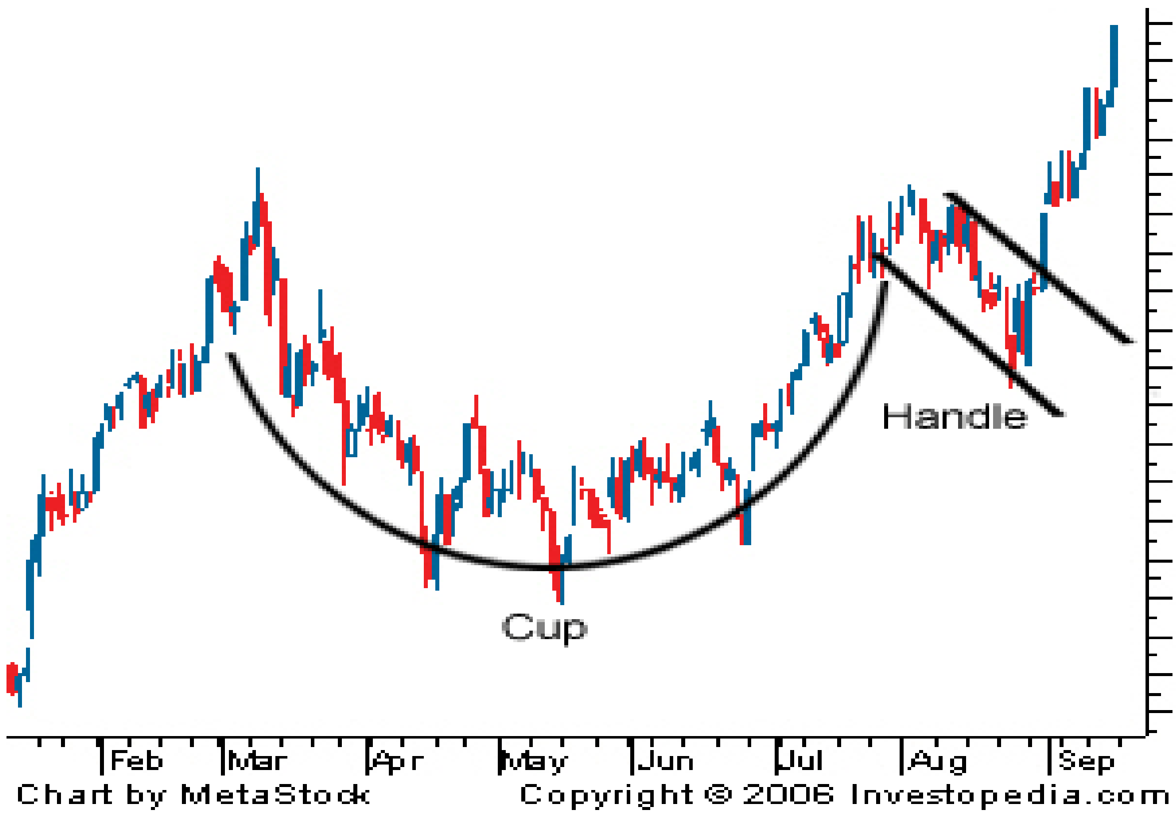
Flags can be categorized as continuation patterns. They represent brief pauses in stocks looking to take a breather after a run. They are typically seen after fast, big moves. The stock then usually takes off again in the same direction once necessary consolidation has occurred. The technical buy point is when price penetrates the upper trend line, or resistance of the flag area. You want to see this occur as volume is expanding. The same goes for a bear flag, just flipped. The technical sell point is when price penetrates support as volume is expanding.

2.) Cup & Handle


EURUSD - Rolling Spot
Cup and Handle
Target
Range
Range
Handle
© IT-Finance.com Data is Indicative.
1.44
1.4
1.36
1.32
1.28
1.24
1.2
1.16
24 Apr 09 15 21 27 May 07 13 19 25 Jun 04 10 16 22 28 Jul 08 14 20 26 Aug 05 11 17 23 27 Sep 08 14 20 24 Oct 06 12 18 22 Nov

The Cup & Handle is consolidating and correcting action of a stock after a major advancement. Generally a stock will have a powerful move higher, then go through a market correction (creating the 'left' cup). The stock will sell off in this correction at about 30% off the first high point.

As the stock comes back to test the old highs, it will incur selling pressure by the people who bought near the old highs (creating the 'right' cup). This selling pressure will cause the stock to drift in a sideways fashion, with a bit of a bias to the downside (creating the handle).



This handle is about 5% below the old high point. If it is much lower than this, be weary, as this may be a broken stock which contains a higher risk for failure.

The technical buy for the Cup & Handle is as it emerges to new highs at the top of the handle (as it breaks the 'right cup'). This is one of the most reliable patterns to look for and they usually have very powerful breakouts.

3.) The Flat Base

The Flat Base is a pattern that is categorized by going horizontal for a period of time. Very powerful advances on generally tight risk can lead to very favorable gains with this pattern. You look for volume drying up as the stock predominantly stays around the same level.

Draw a trend line across the top of the formation. The technical buy is when the stock rips through the trendline on expanding volume. The stock has to close above the trendline in order to hold the trade overnight.

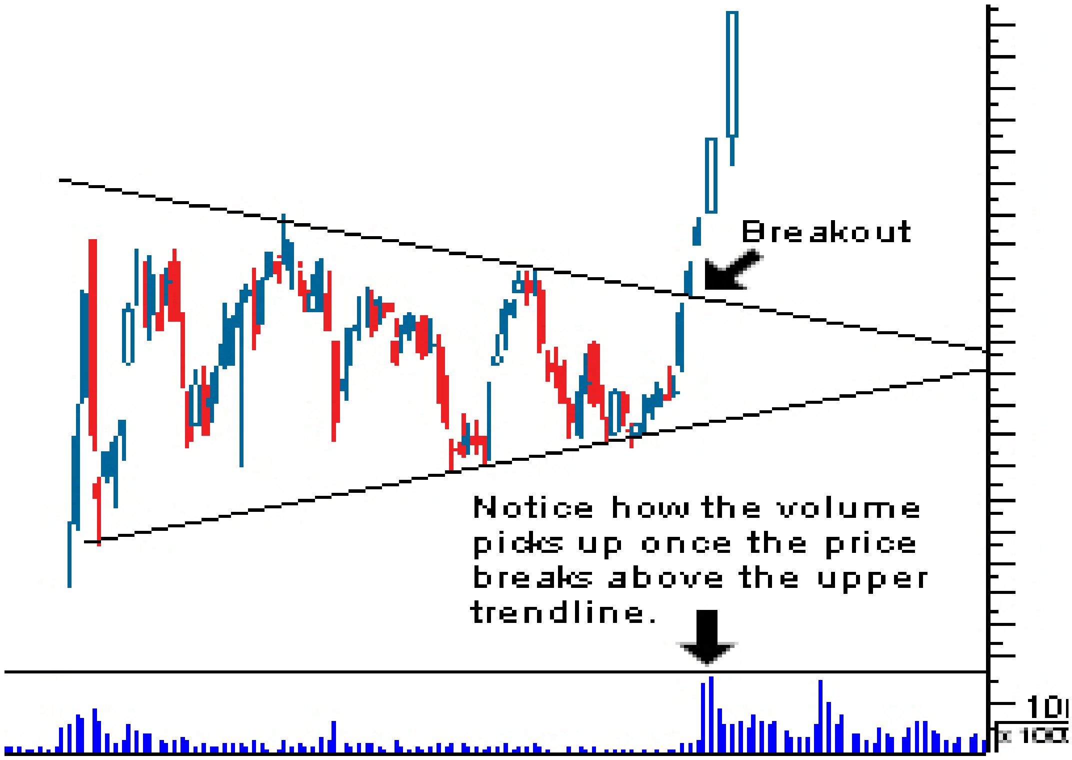
4.) Symmetrical Triangle

Symmetrical Triangles can be categorized as areas of indecision. It is easy to get “chopped up” in these names if you enter early because it may look like a ‘long’ one minute and then a ‘short’ the next. It is getting tighter and tighter as buyers are meeting sellers, and one force is going to have to win the battle sooner or later.

In an uptrend, you tend to look at it as a bullish symmetrical triangle, while in a downtrend, it’s a bearish symmetrical triangle.

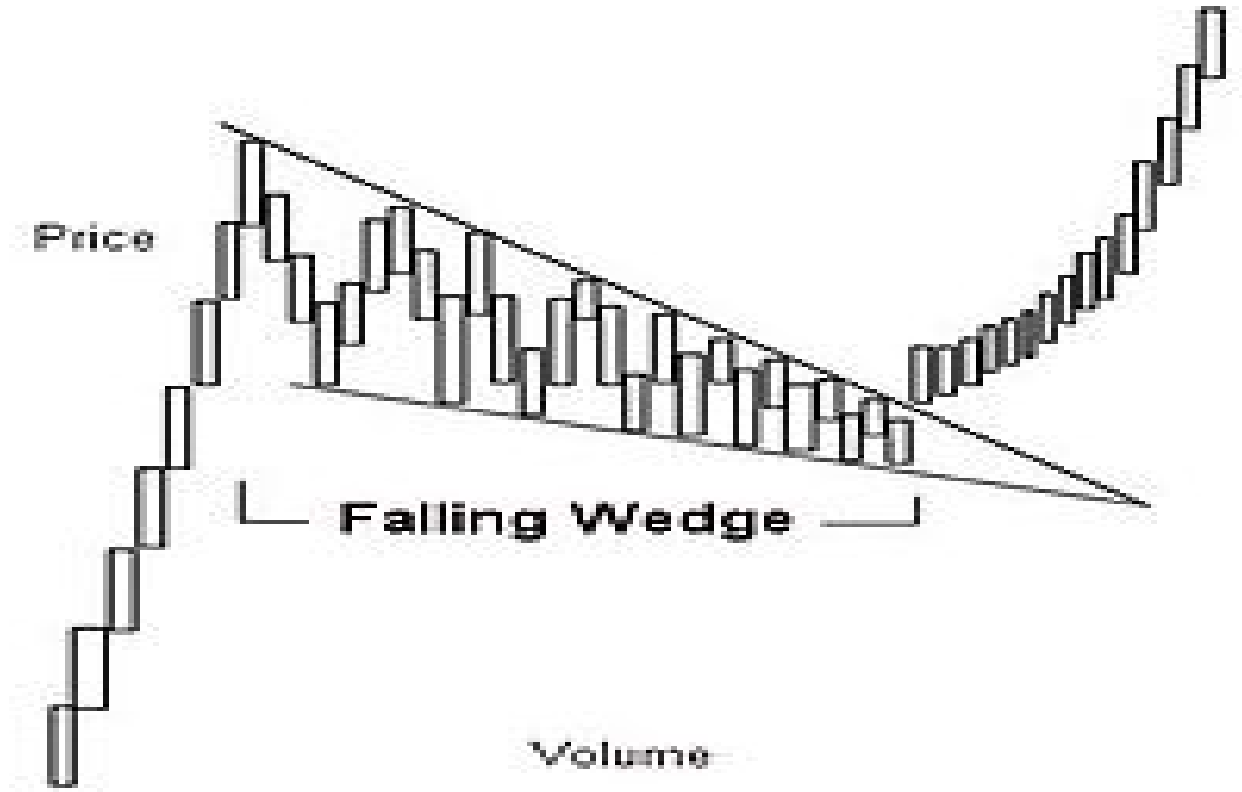
These are one of our favorite patterns to trade because you usually know whether you’re right or wrong very quickly. Stocks generally explode out of these patterns as the forces of buying and selling finally pick a direction creating a momentum move. For example, if it breaks higher, the buyers will drive it up, while the shorts covering their position (by buying the stock) cause the momentum to continue further.

5.) The Wedge

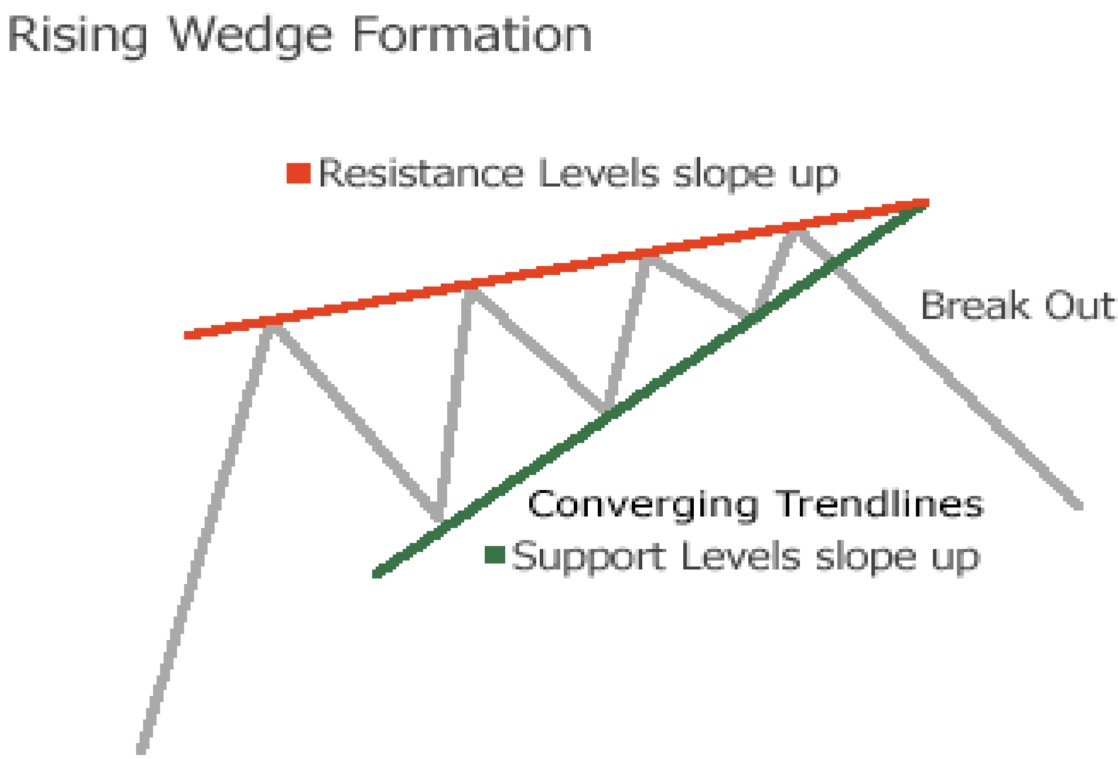


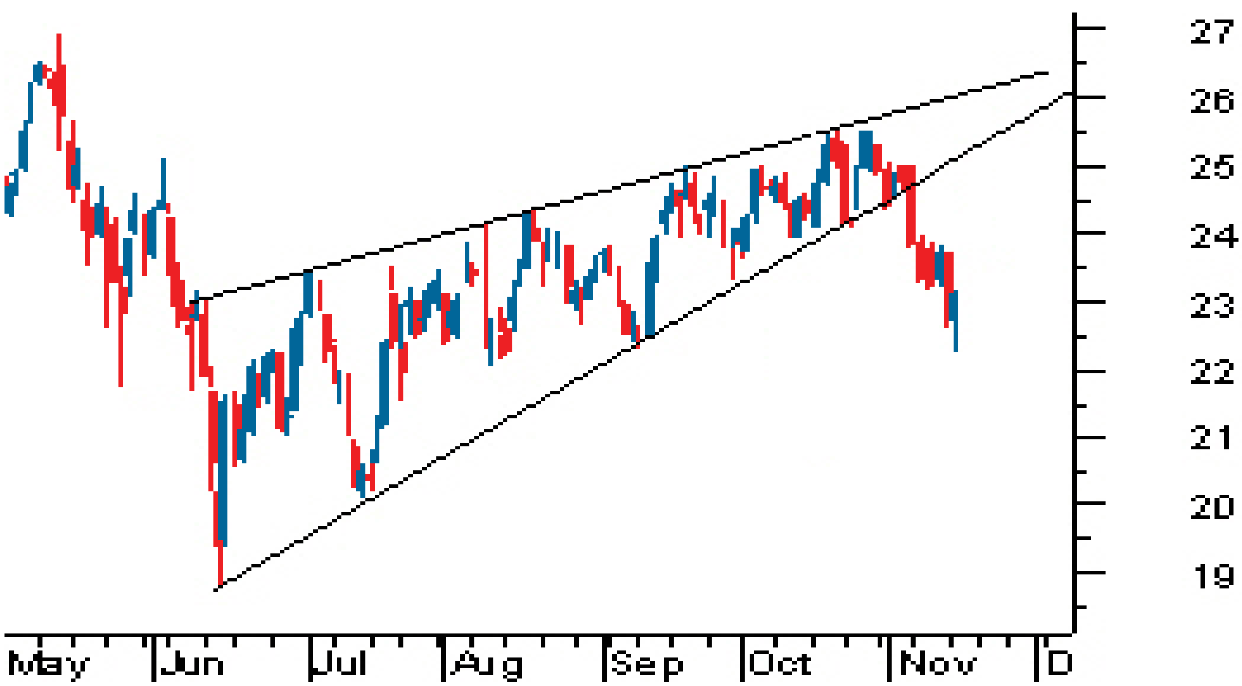
converging trend lines depicting them. The main difference is that wedges are generally distinguished by a noticeable slant, either rising or falling.

A falling wedge is generally considered BULLISH and is usually found in uptrends. It can also be found in downtrends. The pattern is marked by a series of lower tops and lower bottoms.



A rising wedge is generally considered BEARISH and is usually found in downtrends. It can also be found in uptrends. They're categorized as a series of higher tops and higher bottoms.



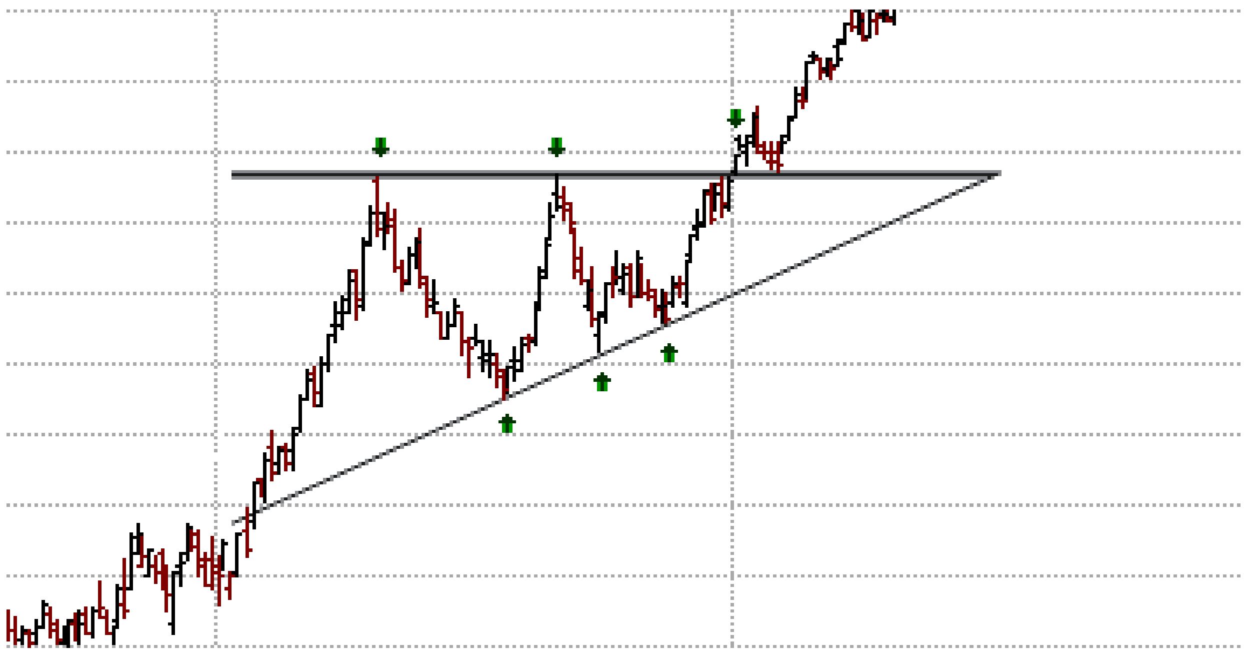


Source: Chart by MetaStock

6.) Ascending/Descending Triangle

The Ascending/Descending Triangle is a variation of the symmetrical triangle.

Ascending Triangles are considered bullish and are generally found in uptrends. The top of the triangle appears flat while the bottom part of the triangle has an upward slant.

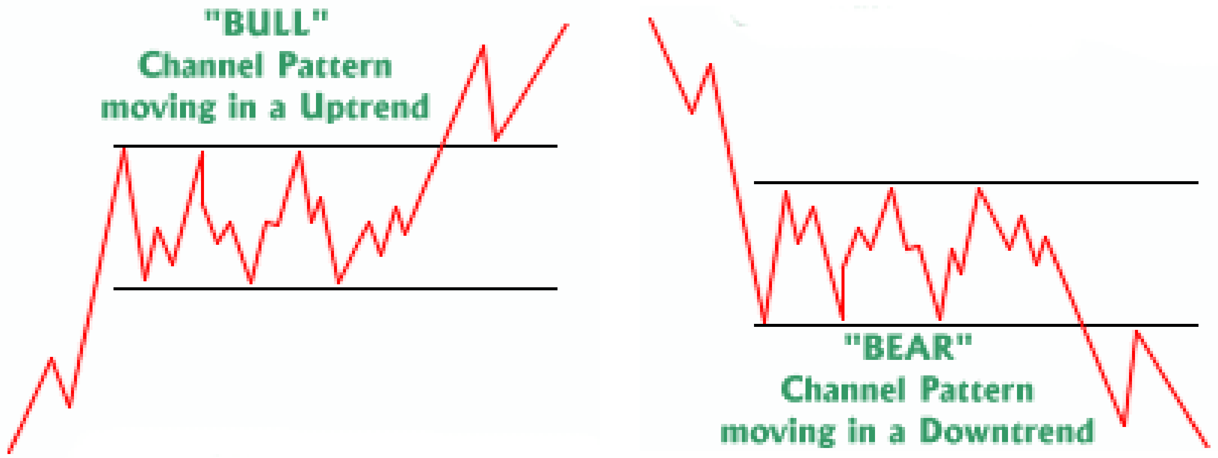


Descending Triangles are considered bearish and are generally found in downtrends. Conversely to the Ascending Triangle, the bottom part of the triangle appears flat, while the top part has a downward slant.

7.) Channels

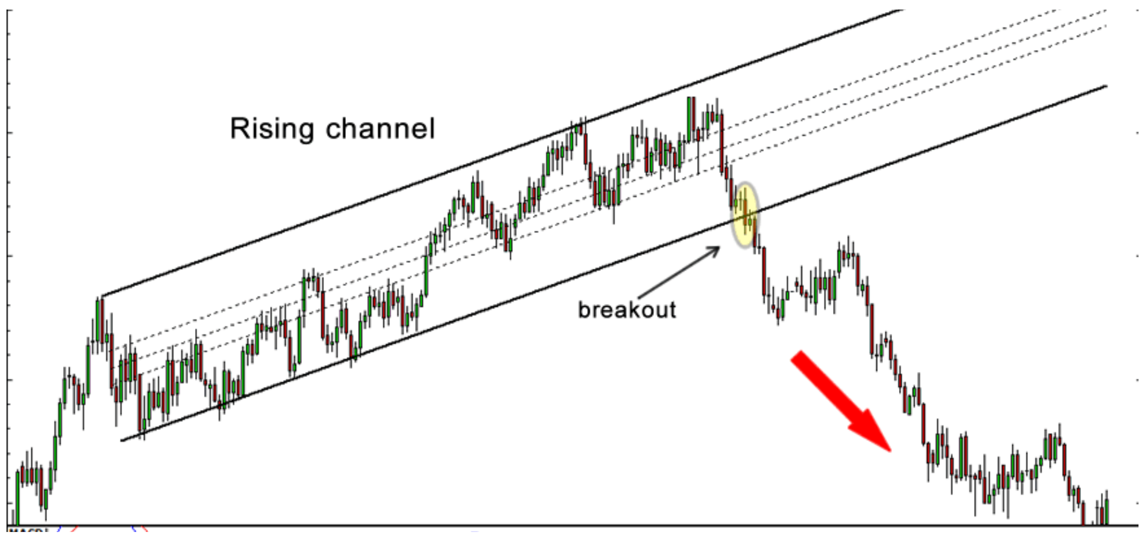
Channels can be regular, Sideways/Rectangular Channels, Descending Channels, or Ascending Channels.

A Sideways channel is considered a continuation pattern. If it is in an uptrend, you should be bullish on the channel & vice versa.



A Descending Channel is seen as a BULLISH pattern.

An Ascending Channel is seen as a BEARISH pattern.



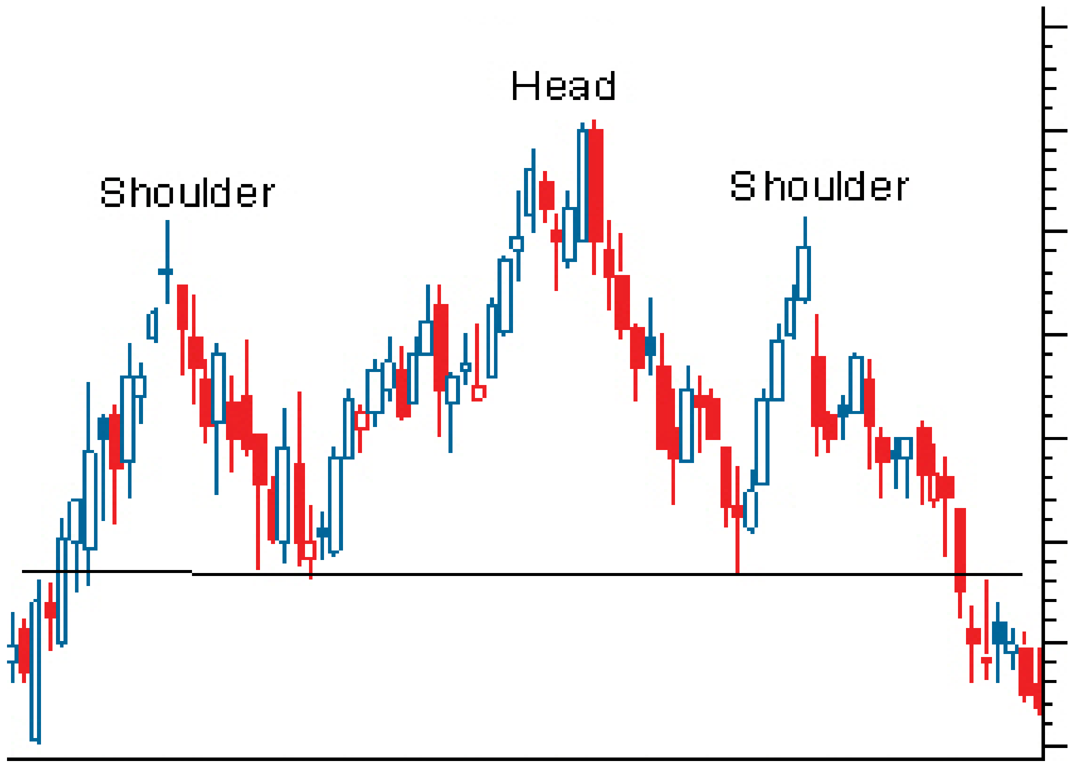
8. Head & Shoulders / Inverse Head & Shoulders

The Head & Shoulders is generally regarded as a reversal or topping pattern. It is most often seen in up-trends and is also most reliable in up-trends.

Sellers come in at the first high, (creating the left shoulder) and some downside follows. Buyers soon return and ultimately push through to new highs, only to have downside follow shortly after (creating the head). Buying again re-emerges and the stock rallies once again but fails to take out the previous high. After it cannot take out the previous high, downside follows (forming the right shoulder). Soon after, the neckline is taken out to the downside, igniting the pattern.

You see a momentum move to the downside because traders will short through that area along with those who were long who had stops placed there.

Volume is very important in this pattern as you should see the greatest volume in forming the left shoulder. It is important to see the head formed on lighter volume and the right shoulder on the lightest volume, indicating the buyers are out of gas. The pattern is complete when the stock breaks the neckline.



Inverse Head & Shoulders is virtually the same exact pattern but flipped. It is typically seen in downtrends. All the principles concerning the volume are the same as well, just flipped. You want to see greater volume in the rallies back to the neckline as you go from left shoulder to head to right shoulder. You want to see volume really expand in that right shoulder and eventually through the neckline to ignite the trade.

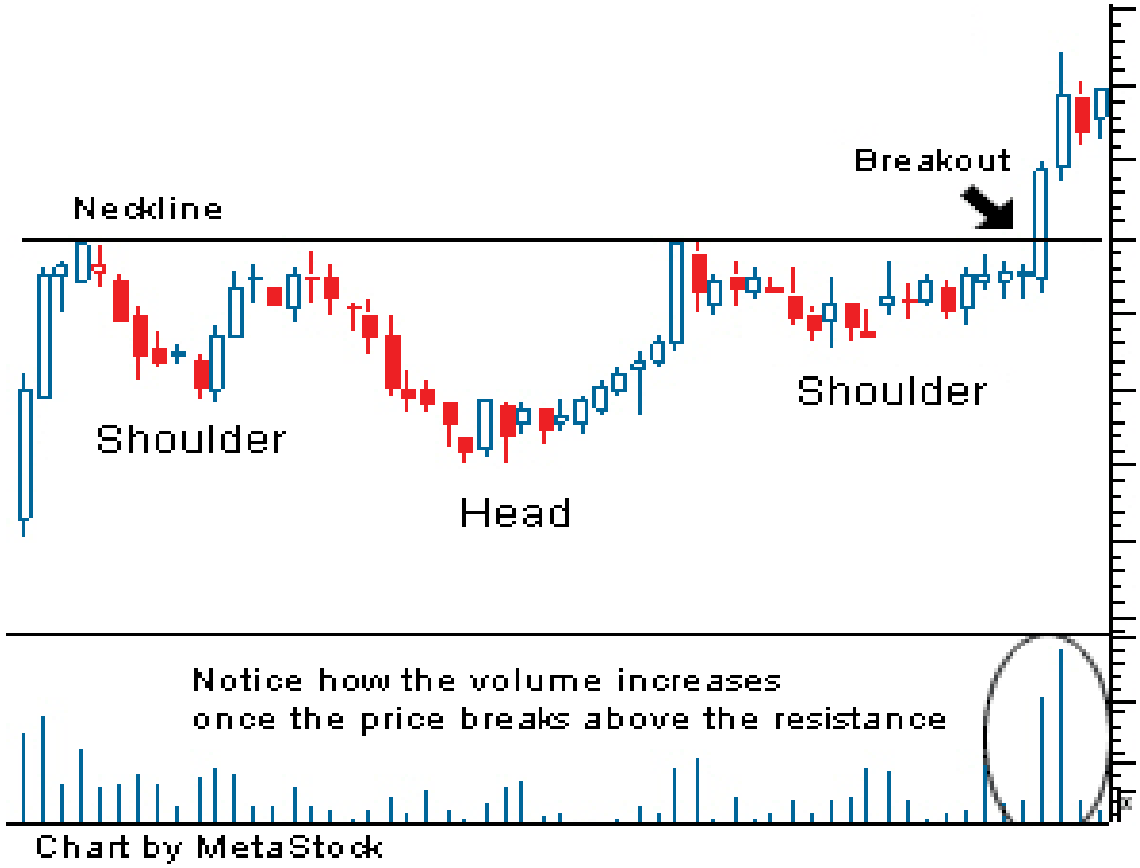


Chart Reading Task

Post a stock that is forming one of your favorite chart patterns on their daily chart and formulate a game plan for it!

POST IN THE CHART READING CHAT

Congrats you already finished 20% of this program!

Keep up the hard work! If you're proud of this say "I'm at the 20% mark!" in the Chart Reading Group Chat!

7 Vital Steps To Successful Chart Reading

1. Where is the trend?

   Identify if it is a strong or weak stock by determining how it has been trending lately. Scroll back the past 90-180 days. Has it been in an uptrend or a downtrend? By finding the trend, it will allow you to determine whether you believe it will rise or fall in the future.

2. Is it a short or a long?

   This is a natural progression from step 1. Once you find the trend, you determine if it is easier to go short or long. We do not call tops and do not pick bottoms (what do bottom pickers get? SMELLY FINGERS!!) We would much rather take the easy trade, and ride the trend. This business is difficult enough, which is why we make sure to stay away from “hero trades”. How has it performed compared to the broad market? Is it relatively strong or weak? We try to keep it simple - strong stocks are longs, weak stocks are shorts.

3. Where is support & resistance?

   This is arguably the most important criteria when reviewing a chart. Asking where is support/resistance is equivalent to asking where are the buyers and sellers. From this, you can identify buying areas and selling areas. Stocks most often travel in the path of least resistance. If we’re looking at support and resistance as brick walls, and you’re in between the two brick walls, isn’t it easier to run away from a wall rather than through it?

As legendary trader Jesse Livermore once put, “You remember my trading theories about that line, don’t you? Well, when the price line of least resistance is established I follow it, not because I am manipulating that particular stock but because I am a stock operator at all times”.

It is much easier to run away from the wall than run through the wall. This is not to say you should run away from problems in life, but in stock trading, prices move in the path of least resistance.

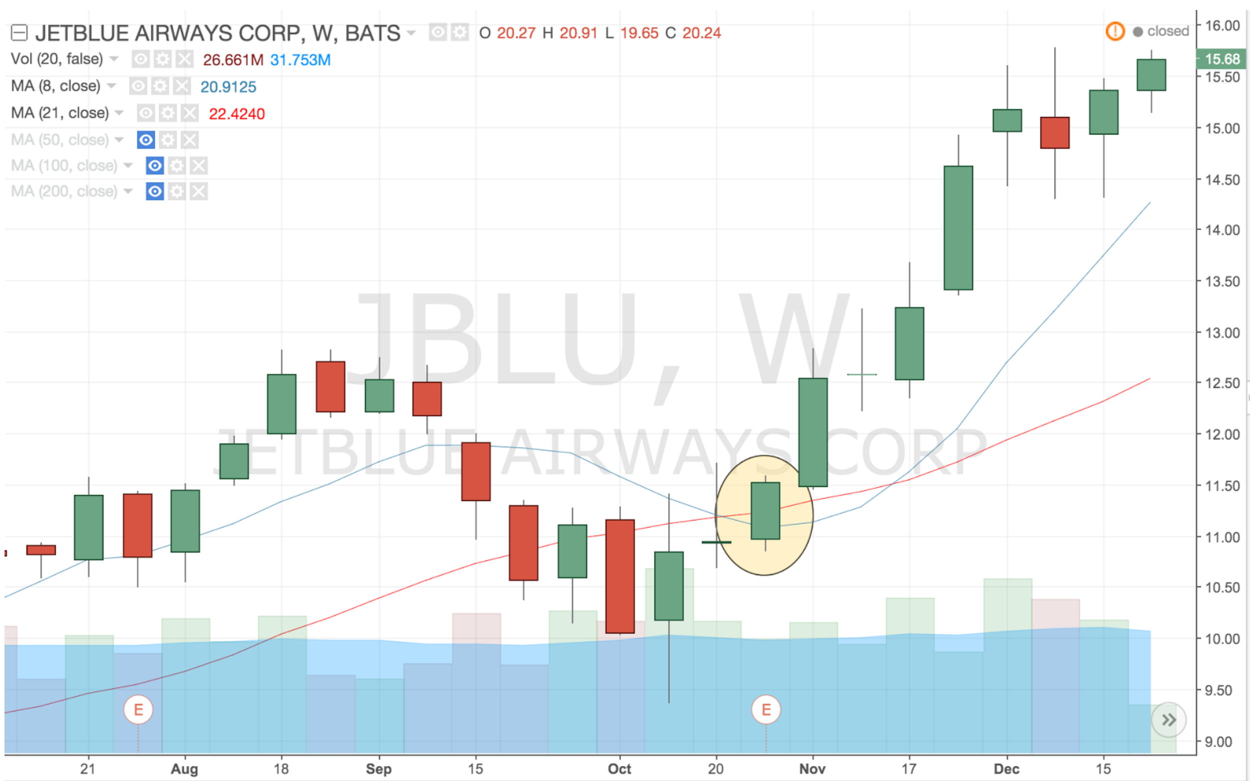
4. Look at the Weekly & Monthly Charts

It is important to look at the chart in different time frames - notably the weekly and monthly charts. Since our trade’s time frames are usually about a week, the weekly chart is the most important to us. This is something you have to determine on your own. Reviewing charts is all about gaining information on how the stock has moved. Seeing charts in different time frames allows you to gain many different perspectives. When all of the time frames have similar characteristics and all point to being a long - we call that “Time Frame Continuity” which is usually a trade with a high probability of success.

After looking at the different time frames, do any chart patterns jump out at you? These can help you identify your trade. If you’re looking at a cup and handle on a weekly chart, you know you want to be long and have stock for the break of resistance. Similarly, if you see a head and shoulders, you want to be short and have stock for the break of support.

5. Are there inside days/weeks/months? How did the stock react?

An “inside candle” is when it’s high is lower than the previous high, and low is higher than the previous low. We mapped this out in the picture below with the circled candle. No matter the time frame, (intraday, daily, weekly, monthly) the inside candle is a representation of consolidation - buyers meeting sellers. When an inside candle is formed and buyers are meeting sellers, it is only natural that an expansion is expected after the inside bar is broken to the upside or the downside.



We chose to point out the JBLU inside week because it was a trade we will never forget. This was a very strong stock that had a healthy pull back, consolidation, and news on it’s side with oil about to to become a disaster.

We map out inside bars because they are great for executing entries and exits. Since a momentum move is expected following an inside week, we chose to initiate a long on a break of the inside week and put our initial stop at the low of the inside bar.

With the JBLU trade, we bought 11.60 heavily and placed our stop at 10.90, 70 cents of risk. We were able to ride this trade into the low 20s for an insane 15:1 risk reward. One of our best trades that we won't soon forget. Utilizing the inside bar played a monumental role in capturing this trade.

6. How has the sector performed in the market?

You always want to be following smart money. This plays off of relative strength and weakness. The market will always have a "hot sector" where you find valuations becoming less and less important and momentum becoming more and more rampant. In the past few years we've seen it in 3D printing, solar stocks, social media, fast-casual restaurants, among many more. It is important to recognize whether or not you're following the money. If you're looking for a long, we recommend finding a strong sector and vice versa.

7. Compare old performance in similar selection

Take a long look at the chart's past performance. Do you notice any similar patterns in the past few months or years? Often, stocks have a style of trading, and will create the same patterns in it's ascent/descent. Look at past performance, as past performance is usually indicative of future performance.

We've mapped out a weekly chart of Amazon's unruly ascent below. If you notice the circled areas, it created a very similar bull flag time after time as it rose from 350 to 700. Recognising patterns like these is essential to your trading and they should be stuck in the back of your head for the next time you see this similar pattern in the stock - it will give you the confidence and confirmation to load the boat.

Chart Reading Task

Use these new skills to find your A+ set up. Take your time and scan your watchlist to really find that great idea and post it in the Chart Reading Group Chat with your complete game plan.

POST IN THE CHART READING CHAT

Utilizing Moving Averages

The Moving Average is a widely used indicator in technical analysis that helps to smooth out price action by filtering the noise from random price fluctuations.

It is a lagging indicator as it is based on past prices. The two basic and most commonly used MAs are the Simple Moving Average (SMA) and the Exponential Moving Average (EMA).

The **Simple Moving Average** is the simple average of a security over a defined number of periods. The 21 SMA will be the average price of the stock over the past 21 days.

The **Exponential Moving Average** is similar to the SMA, but gives bigger weight to more recent prices. For this reason, we primarily use EMAs on intraday charts.

The most common applications of moving averages are to identify the trend direction and to determine support and resistance levels. They are also great as trailing stops, when used properly.

In this LN chart below, we can see how it lost all momentum once it lost it’s 8 SMA (yellow line). In fact, the 8 SMA acted as resistance for LN on the way down. Traders everywhere are looking for it to reclaim it's 8 SMA to the upside which may enable some long positions and a movement higher.

Different moving averages can mean different things, so let's go over the most important ones we use:

The 8 & 21 SMA - The most important moving averages for short term, momentum trading. If you are long, you want your stock to be on top of these MAs with them acting as a support level.

In this DE breakout, we can see the 8 SMA (yellow) guiding the stock higher, acting as support, with the (blue) 21 SMA not too far behind it.

If you were long this stock in a short term position, it may not be a bad idea to trail a portion of your position using the 8 SMA.

The 200 SMA - This MA is technically the most important for a stock's long term chart. It is the line in the sand that deems a chart healthy or unhealthy. It is the most widely used indicator by hedge funds around the world. When a stock is around this MA, you can be sure there are a lot of eyes on it. While we don't base trades off moving averages, rather use them as a layer of probability, many traders do. The traders who base trades off MAs are those who trade more long term.

Once GOOGL pierced through it's 200 SMA, it immediately found support and bounced in the days to follow. It remains to be seen whether or not it will hold, but you can tell it acted as support for now.

The 100 & 50 SMA - These are both important indicators as well. These don't hold the same weight as the 200 day, or mean as much to momentum traders as the 8/21 day, but the 100 & 50 SMAs are important in their own right.

Utilizing Moving Averages to Grade Daily Charts

How do we use moving averages on the day to day? We use them to deem the health and probability of a move higher or lower for a stock.

If you want to go long a stock, you ideally want it to be above all of the aforementioned moving averages, with the moving averages curling up.

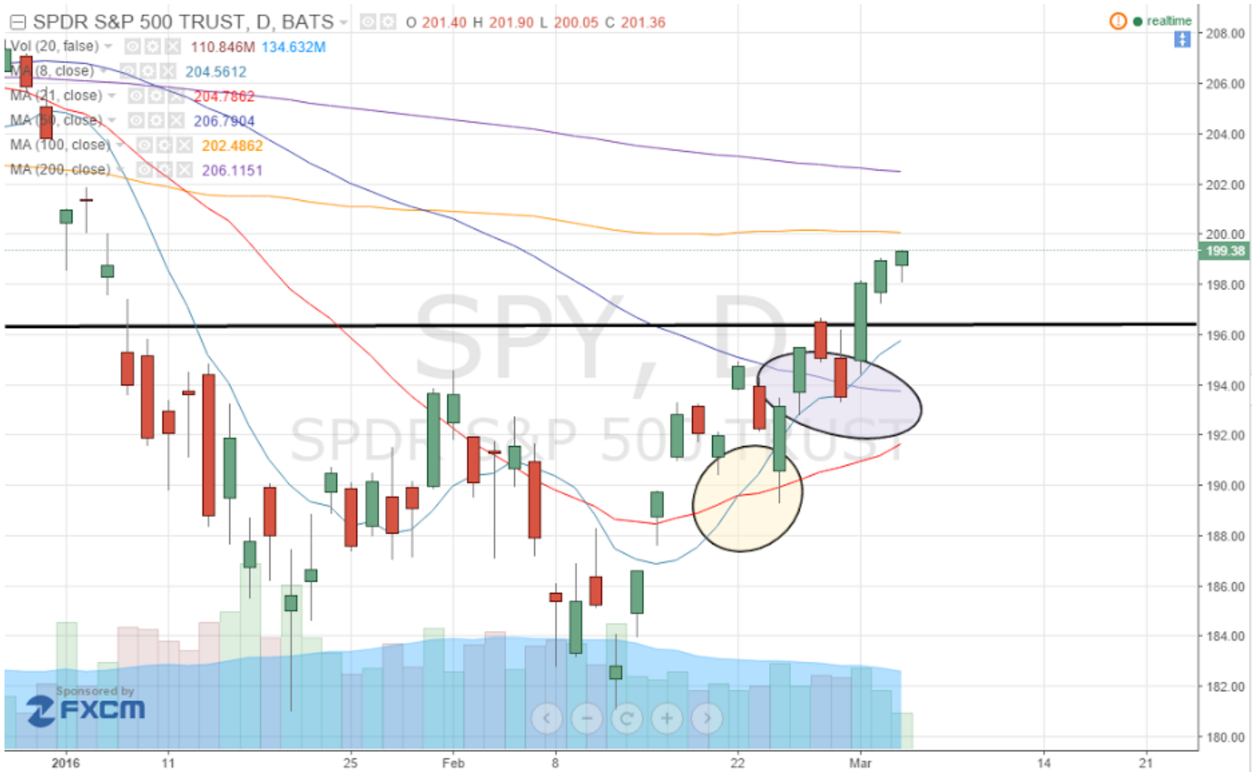
Here's one of the trades we recently sent out, BBY Long:

After looking at the moving averages, are you surprised it went higher? Do you see how the moving averages are all curling up? These are all positive signs.

Conversely, after ILMN missed earnings, they sold off hard. Now every moving average acts as resistance. Even though it's down so much in the past month, it still looks like you can short this through lows based on the chart. Do you see how the moving averages are now curling down when they were curling up before? Bad sign.

In summation, Moving Averages are important indicators, but at the end of the day they are just indicators. They can act as a layer of probability for your prospective trade. For example, ILMN looks like a solid short, all the moving averages are curling down and everytime it tries to push higher the 8 and 21 SMA act as resistance causing it to sell off. Remember, if you are looking to go long a stock, you prefer it to be sitting atop it's major moving averages with them curling upwards. If you are looking to short a stock, you want it's daily candles underneath it's major moving averages, with them curling downward.

MA Crossover



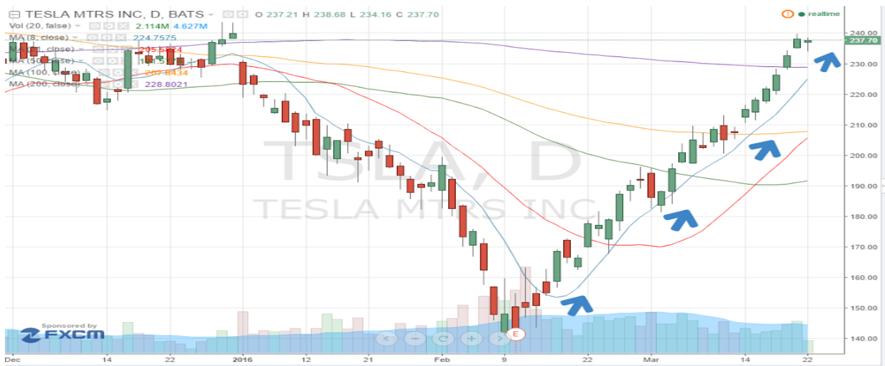
Understanding moving averages plays a large role in fully utilizing technical analysis to gain an edge. Moving average crossovers are a common way traders can use Moving Averages when analyzing a chart. A crossover occurs when a faster Moving Average (i.e. a shorter period Moving Average) crosses either above a slower Moving Average (i.e. a longer period Moving Average) which is considered a **bullish crossover** (or below which is considered a **bearish crossover).** We can see two clear examples of this in the SPY daily chart over the past month. The bottom circle indicates the 8 SMA crossing over the 21 SMA which in turn indicates a change of downward trend (for the short term). This trend is confirmed by the higher circle, when the 8 SMA then crosses the 50 SMA. These are tactical indicators that tell you it may be time to get long.

Chart Reading Task

In the Chart Reading Group chat post an example of MA crossovers and circle where it occurred.

POST IN THE CHART READING CHAT

Ludicrous Mode



"Quickly cut your losers and let the winners ride!" We've all heard the mantra, but this is a very important quality a successful trader must maintain. Your best trades will be the ones that defy market gravity and go on insanely improbable runs. Here, TSLA is the perfect example. After drastically missing earnings on Feb 10th, sentiment was as bearish as I'd ever seen it among this company. How does the stock respond? It holds the ever-important long term support at $140, and goes on an absolutely FEASTY 100 point run in the next 5 weeks. It is of the utmost importance to figure out the correct way to trail a winner in order to get the most out of the trade. Here, it seems TSLA has been riding the 8 day moving average the whole way up. You can see whenever it has come close to the moving average, a ferocious move higher follows.

One of the many different lessons you will find with the Trading Experts is how to find the correct trail for your trade in order to get the most out of it, while also taking profit at an opportune time. After this exercise we will move onto learning more about the *“Art of the Trail”.* At the end of this lesson, pull up your watchlist and try to find a stock that went on it's own Ludicrous mode. What do we mean by Ludicrous mode? - A stock that is on an upward trend usually at around a 45% angle, it continued to trend higher without any nasty shake outs.

Chart Reading Task
Post a chart of a stock that went on it's own Ludicrous mode and explain how you would trail your winner to stay in for as much of the move as possible.

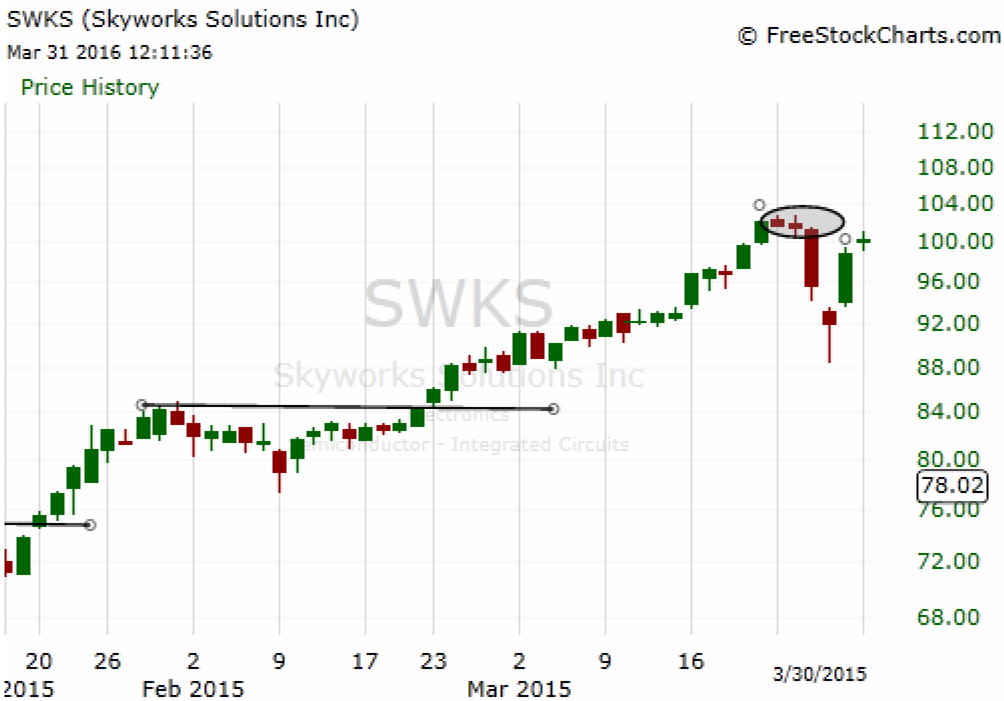
POST IN THE CHART READING CHAT

The Art of the Trail

You can map out the best trades in the best sectors with the best stocks, but at the end of the day it all comes down to your executions. Part of maintaining a winning trade is finding the proper **trail** that keeps you involved long enough to be a part of the momentum move, while not giving too much money back on pullbacks.

We mapped out how we would trailed our AMZN position on the 8 ema, because that's what the chart told us was holding. You can see, since it ignited (bottom arrow), how the 8 ema on the chart has supported this rise every time a candle came close to the moving average. It jumped off today's huge gap up, pulled in, and found support right at the moving average. We were not shocked. Learning the proper trail is KEY in trading, and one of the many lessons we teach here.

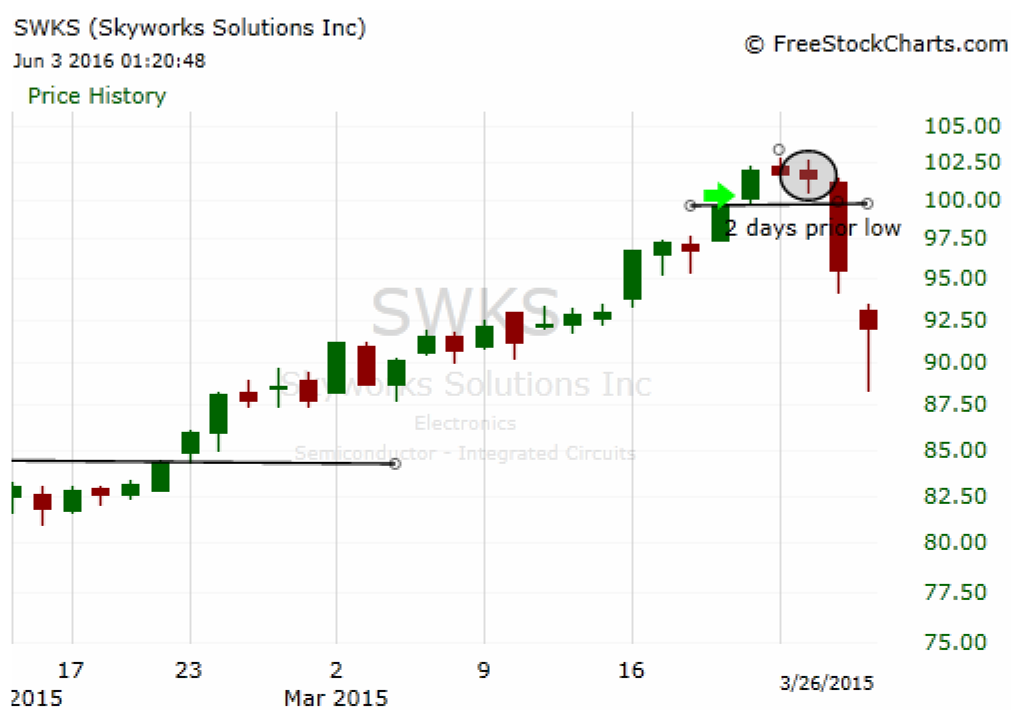
Now the obvious pitfall to trailing is what? Not capitalizing on selling at the stock's highest price. But we will tell you from first hand experience, in the last 1,000 trades, maybe .001% we sold at the actual ALL TIME HIGH. We can even give you the example below.



This is the one case, where we actually got stopped out at highs. With our swing trades, our stop is usually either the low of day or the prior low of day. After we got in at $84, by using that stop strategy we were able to stay in a profitable swing trade for over 23 days!

But trading is never this easy. Sure this one time we were able to sell $23 higher with $1 risk and sell at highs. The perfect, perfect storm of a profitable trade. But trading is rarely this easy, we are not here to buy the bottoms and sell the tops. We want to get into tight risk trades and be in for the meat of the move. Two days after we got out, this stock dropped $15 points, you don't want to sit through that pain. We took out profit and moved on. With the right trail, you will be in for the meat of the move, at some point see the high being put in (won't know it's the high until after you get stopped out) and then you will get stopped out for a profit. When you learn how to trail properly, you can control your greed since your plan is concrete. Once you can master the idea of the trail, you can master the markets.

The key takeaways we focus on with trailing a profitable position, are to look at the prior days low, as you look at AMZN, SWKS, and in the next lesson with OKS, each day it made a new higher low, confirming the stock was still on an uptrend. Stocks can be dirty and try to tail through the prior day's low to get the weak money out before continuing higher. When we have a cushion in a position or have been in a profitable swing for 3+ days, we will look to put our stop below the priors day low instead of the current days low.



You can see here, based on the day circled, we moved our stop up from $97 up to $100, and got stopped out the next day. We locked in a $16 gain on the remaining shares, and had confirmation the trend was now changing. Did we leave some profits on the table by not selling at $102.50? Of course, except when we got in our target to profit was only a messily $89, we as humans have a difficult time looking far into the future. By using a proper trailing technique, we can really maximize our winners.

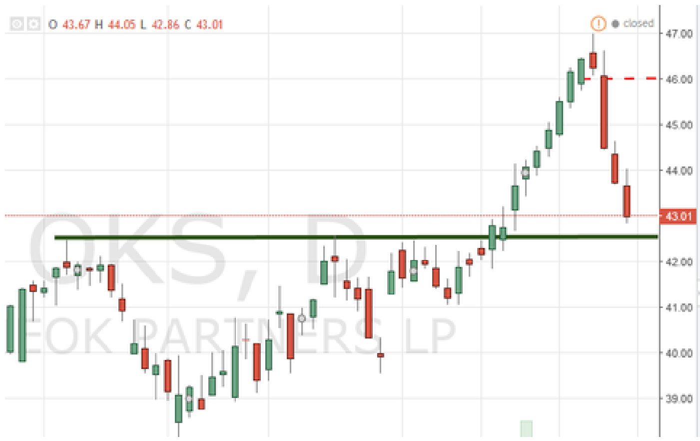
I would like for you to go back to those ludicrous stocks you selected in the prior lesson and draw a line showing where you would have gotten stopped out if you were long for those run ups or short for those breakdowns, based off a stop at prior days low before it put in it's highs.

Chart Reading Task

In the Chart Reading Group chat post an example where trailing vs the prior day's low would have gotten you out right before the stock reversed a major breakout.

POST IN THE CHART READING CHAT

Mona Lisa Trailing Stop



When you look at this daily chart of OKS, can you see any area of resistance?

An area that the stock is having a hard time breaking? This is usually the result of a seller or sellers who are offering more stock to sell at that price than buyers can afford to buy.

The answer is the $42.50 area. Think of resistance as Warren Buffett, he's not in OKS but just for this example’s stake. We're the little guys, you, me and the rest of the market wanting to buy OKS. It takes a lot of us little guys to buy what Buffett is selling. Say he's selling 1,000,000 shares at $42.50. First time it gets up there, in total the market (buyers) buy 100,000 shares of that 1 million share offer, then the 2nd, 3rd, 4th time buyers keep buying more but he's still there selling his stock.

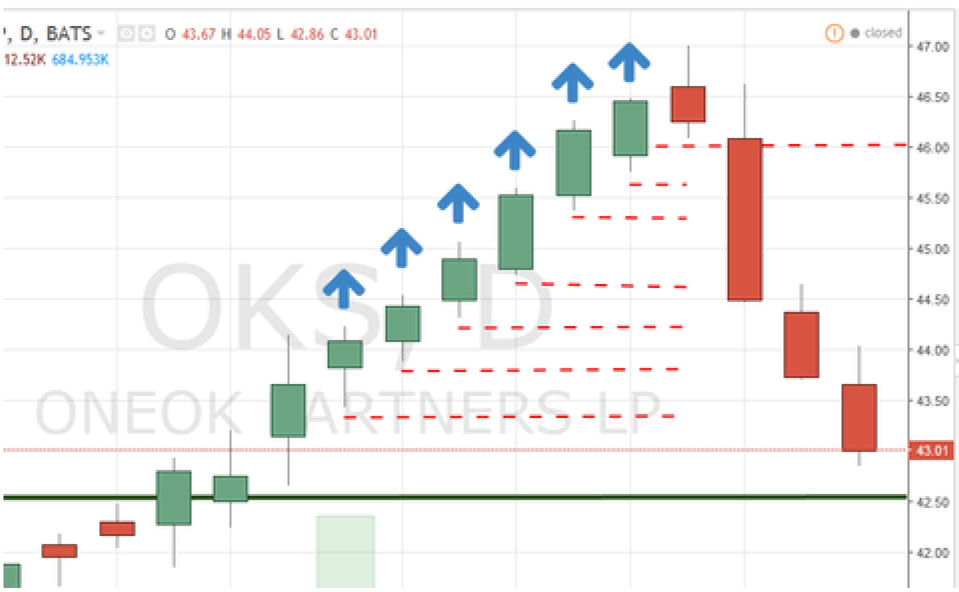
Eventually Buffett sells his stock and moves on and if the buyers continue to buy and break the seller then the stock is off to the races. Since we understand chart reading, we can see these patterns forming and we aim to buy **"after"** it breaks- not before! So resistance is $42.50 right?

We (Trading Experts) are buyers when the seller breaks, $42.51 ticks and we're in! In this case, the buyers continued to bid the stock up 10 days in a row! On the 10th day a new seller came in at $47 as you can see it flush up to $47.

Now this time it's different, the last 9 days, the buyers were in control. Look at these big green candlesticks, opening above the prior day's low and trending higher. A sign we love to see, this is probably the Mona Lisa of our swing trades this year because it was a textbook trade.

On the 10th day of this rally, the buyers could not bid the stock up any longer and the sellers took over. Remember we trail our winning trades **versus the prior day's low**.

So let's take a closer look at trailing a winning position **versus the prior day's low**.



As the swing trade starts to break out and trend higher, we are moving our stop up (red dashed lines) to the prior day's low. We kept doing this as the trade worked in our favor. By Day 3 of the swing, our stop was a profitable stop, so even if it failed we would have made money. With our target being $46+, OKS went as high as $47 and based off our trailing technique we got stopped out at $45.99!

Remember our "Trade of the Week" Game Plan, as you can see below.

Shake P • December 11, 2016

This week our Trade of the Week is OKS. OKS has developed a beautiful macro bull flag pattern, which can also be considered a bullish inverse head and shoulders in some circles. If this takes out highs on some volume, we'd expect a successful breakout.

Trigger: $42.50
Stop: $40.99
Target: $46+

Now did we know $47 would be the top? Not a clue, we just had a game plan and stuck to it. This trade played out perfectly for an 11%+ gain in 10 trading days. Could it be the same seller or a new seller coming in at $47? Maybe, maybe not, we really don't care/ don't know. We just know it's time to leave the table while we're hot. Take our 11% gain and move on. Trading can be simple if you make it simple. We hear all these crazy, elaborate ideas from new traders and it's just too much.

Our idea was as simple as "there's a seller at $42.50, bullish pattern forming, aiming for 5-1 risk reward or better, original stop at $41.99 (risk $.50 per share), trailing vs prior day's low as it works in our favor."

As a result we were able to squeeze $3.50 per share out of this stock for 7-1 risk reward from our original risk. The position was always profitable from our entry! Now we can sit on a beach with a stiff drink under a palm tree while the traders without a plan are sitting through the pain as OKS pulls back to resistance which will/should start to become an area of support.

Chart Reading Task

Let's really hammer this idea down, in the Chart Reading Group chat post another example where trailing vs the prior day's low would have gotten you out right before the stock reversed a major breakout.

POST IN THE CHART READING CHAT

Giving Away a Winner

Buying a winner can be a feat in itself, yet keeping it is another battle. Recently I was reminded of a simple lesson forgotten that resulted in parting ways with a winner that did exactly what was expected.

The simple lesson was to wait for the pivot before upping my stop.

Let’s rewind a bit and start with what we were seeing in the trade.

Tradingexperts24 published on TradingView.com, December 18, 2020 18:21:49 UTC
BATS:SHOP, 1D 1171.32 ▼ −8.68 (−0.74%) O:915.00 H:936.00 L:905.15 C:931.43

Shop had been flagging between $840 and $1150 for about 6 months, and recently pulled back into support yet was forming a higher low. Oftentimes when we see $840 being the low of support, we want to see it retest that area so we can grab cheap stock (relatively speaking), yet we actually want to see buyers step in never giving us that chance to buy at that price.

Trust me if you can buy $840 at support on the 6th attempt and get $840.01, it's heading lower.

We see $880 form the current higher low as the buyers stepped in a second time to defend that area.

Now I am looking for a way to get in vs $880, the following day $900 holds, and I look to buy over the high of day vs $880. Buy stop in for $930 and I am in vs $880 on $50 point risk. With the target of holding till the retest of the prior highs $1150 ($220 potential gain).

As SHOP goes on a $70 run from my entry of $930 into $1,000 that has acted as an area of resistance. I try to limit my risk. Day 1 I was risking $50, by day two, I had upped my stop vs $900 and then on this day I raised it vs the LOD that would net me 5% if I was wrong.

The following day I got stopped out down through $970 that was good for just about $40 points, about 1:1 on my real risk. Yet had I simply given the name some time to form a pivot, I would have had a cleared spot to exit when I was wrong vs trying to anticipate being wrong when the trade was working.

Now pivots are not as clear as the first one, as we can see later on in SHOP $1040 started to look like the next pivot until it pushed it down to $1020 forming the new pivot before the next run went on.

This is why trailing your winners in a dynamic process and one that will fit into your own risk tolerance.

Some traders may simply set their stop below the proper out and never up it.

Some may trail it by the low of day, often raising the stop later in the day to avoid early morning shakeouts.

Some may trail it by the prior low of day.

Some may raise the stop to breakeven and give it time to work.

Some may wait for pivots to form before raising.

There are plenty of ways to trail your winners with advantages and disadvantages to each.

Giving away this 30% winner for 5% reminded me that anticipating myself being wrong when I am right in the trade can be just as costly.

Take the lessons you learn from each and use them to your advantage. For myself, I often fall into the camp of trailing vs the LOD yet in trades like this, I gave away a winner. Continue to work on creating the trading system that works best for your own psychology and improving daily.

Chart Reading Task

Scan your Dow 30 Watchlist and draw a line under the current pivot low of 3 names that if you were currently in, that is where you would place your stop.

Example

Dow Pivot Low $49.89 Stop

POST IN THE CHART READING CHAT

Overhead Supply

A critically important concept to learn when analyzing price movements is the idea of overhead supply. It is really quite simple if you think about it. So let's cut the chit chat and get right into it, we will use QSR as an example below.

QSR had recently run in virtually a straight line from $42 meeting $50 as new resistance. Anyone who watched saw QSR trade higher for 3 weeks. We've all done it, the stock just keeps trading higher:

"I can sneak in and catch the rest of the move...."

…only to mark the top like an idiot. I have done this on literally dozens (if not hundreds) of occasions starting out. I still sometimes catch the "*3rd time's a charm"* that ends up being 13th time's a charm.

So, let's pretend we're that guy who just bought $50 only to watch it slowly pull in to $47- but don't worry, any losing trade is an investment! "It's a long term trade!" Then, the stock turns and it's right back at $50. Now for most new investors or traders, being in a losing position for a month and then finally being breakeven for a few minutes -- most tend to mook out and immediately hit the sell button.

"It's not a loss if I didn't lose money!"

It's human nature. We are wired to avoid pain, even at the greater expense of future profit. No surprise that people will get out for break even after being down a significant amount of money.

So that is the overhead supply we are talking about, it's simply those impatient buyers in the past trying to sell at the prior high (aka short term resistance). Now this overhead supply could be there for a week, month or even years. Shit, the MSFT $56 level was overhead supply for almost 6 months and ONCE held $66 for 18 months.

So we can see in MSFT those $56 buyers in November had plenty of time to sit in a losing position and were given only a few days to get out for break even. Hence why we focus on very defined levels. Now what tends to happen when you mook out for break even? From my own experience, more often than not, taking that round trip trade to breakeven tends to be a shitty one -- and you look back only to see it trading higher!

So now what do you honestly do/say….

"I'll buy it on a pull back."

That's how support is formed. A bunch of investors are willing to buy a stock at a cheaper price than where it is currently trading, so now that it broke out most are willing to buy back at their price. In time, support tends to rise until it gets too crowded and the stock rolls over.

As a proficient chartist you should be able to determine areas of overhead supply and be ready to buy when it breaks. An experienced investor will never make the fatal mistake of buying stock that has a large recent amount of overhead supply. This is one type of serious mistake many inexperienced fundamental analysts tend to make.

The chart tells the entire story, not the quarterly reports, not your opinion, not the P/E ratio, none of that shit. The chart gives you the entire picture, the rest are just the sprinkles on top of the sundae, the chart is the ice cream. Always remember that.

Chart Reading Task

In the group chat share 1 chart that is setting up like the QSR or MSFT example. Look for a major level that has been setting up for a year plus and has hit major resistance at least 3+ times.

You are officially at the 50% mark! Only 50% to go! Drop "I'm at the halfway point and I learned …." in the Chart Reading Group Chat!

The Round Trip

We've all done it, don't be too shy to admit it! Buy a stock at $100, watch it drop to $80, "It's an investment guys come on! You know I love what the company's doing long term!" As soon as it gets back to $100, it's a trade, "I'm out! Not a loss if you didn't click the button, am I right?"

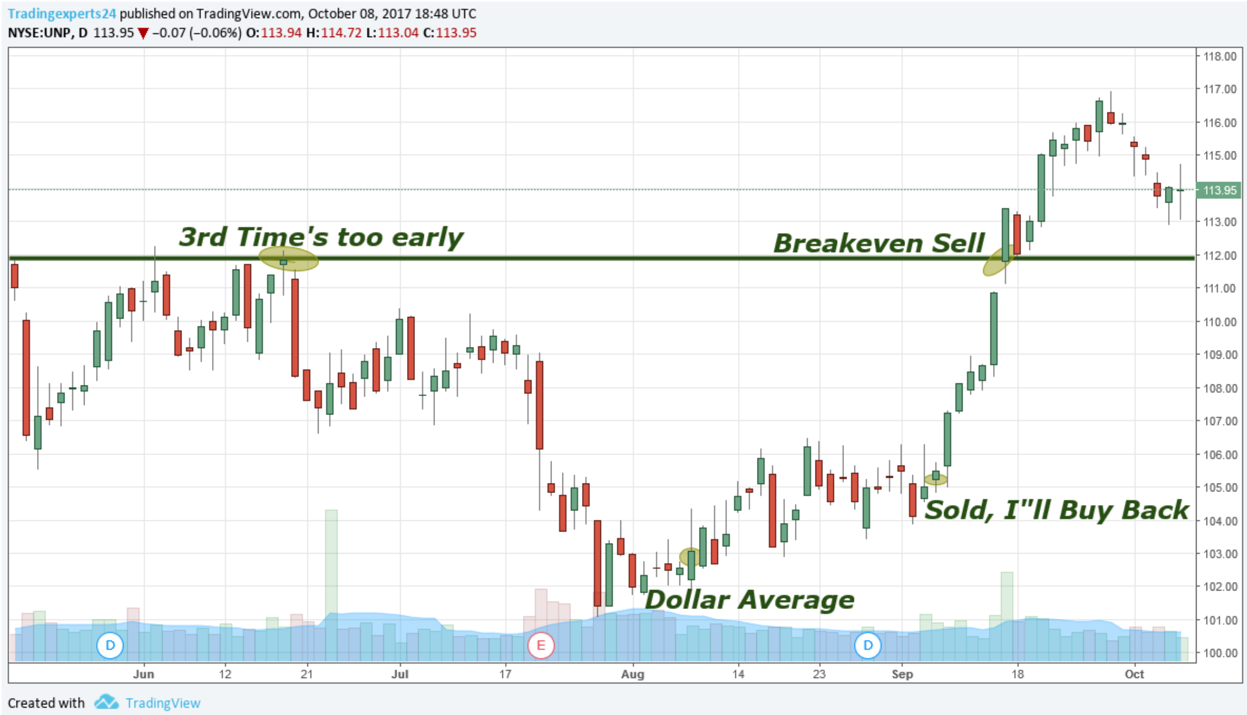
Now sometimes that is honestly the best case scenario because the name is just not ready to trade higher. However, you and I both know, a week, a month, a year later, that shit is much, much higher and deep down we're saying what was I thinking?

I am no perfect trader or investor, and over the past year I have had a fair share of my own Round Trip Trades. Some good, some bad, some ugly and some were my best trades of the year. Now I'm always one for having my dessert first, but for this let's start with my worst trades first before we move onto dessert.

MELI: This is why we hammer down buying with the trend so much. Support held and was a nice low risk buy…. How many times have we regretted that saying?

Oh shit pukes the next day. Now I am not sure about you guys, but for myself I am much more confident averaging up in my winners, than trying to turn a loser around. So let's take the trip down a few percent, and then once it starts to turn, let's look for a random exit, “Ahh this flag looks a little toppy!” Take the $10 it's a gift. You can buy it back at $250 on Monday! Nope, see you later. What's a quick $35 more in 2 days between friends?

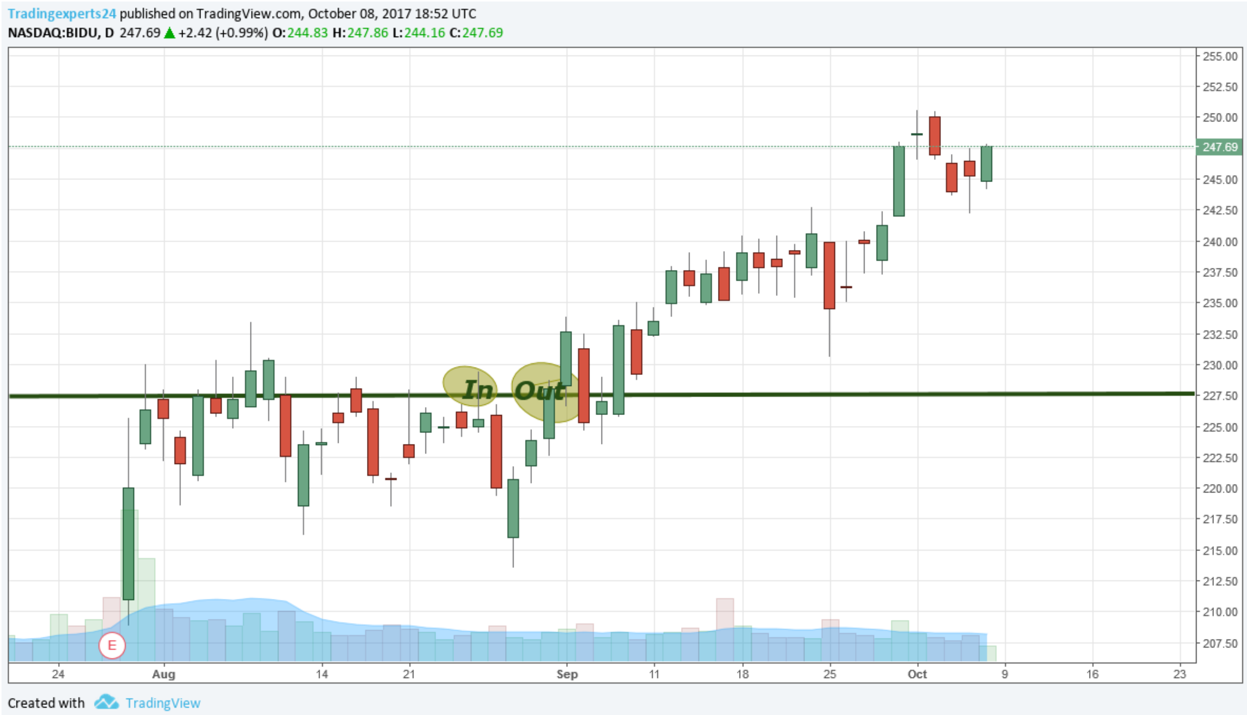
Now granted, that $295 level looked A+ and is just not ready yet. However, holding a name that turns into a loser tends to be a more difficult trade than adding to your winners when they start to flag. But don't take my word for it, let's let the trades do all the talking.



UNP: Probably one of my worst trades (from an execution standpoint) compared to what I had expected. I first bought $112 after it started to roll, with my line in the sand being $100. After it held and started to turn, I added to bring my average price down to ~$107. It started to show clear as day that $106 was the level that needed to break/add through then to add through $112. Much easier said than done. After 5 attempts at $106, I said “*I'll take the little gain”* and said the famous last words:

“I'll buy it back cheaper tomorrow.”

Nope, see you later as it beasts and sold the stock from $112 for break even, even though *that* was the buy and I knew it deep down! But since I was mentally screwed in the trade, I managed to close it out with my tail between my legs. Absolutely no surprise that it goes higher.



BIDU: Same story as the others. In too early, back to my price, and taking it. When it's getting back to your price, as much as we want to sell it, be patient. Giving it to that prior pivot low (and sticking to your game plan) tends to be the real play.

Now let's show the few (rare) cases when it was the right move to get out of the stock's way….

CAG: A textbook buy through $40 just didn't have the momentum to really give it any legs. The $39.99 sell stop worked very well and was still the correct move. This is one of those rare times where the round trip breakeven out was the right play. The majority of the time it usually is not.

JAZZ: Another one where I was just too early to that $155 level. In time it looks great because even 5 months later it's still clear that there's still a seller at the level. I gave a winner back, went red and was lucky to see that the market was telling me to move on.

Now let's look at when you can turn *The Round Trip* into some of your best trades!

KITE: The KITE weekly chart had an amazingly defined level at $90. For those who were members at the time, you may remember how we tried to cheat the level so we didn't have to buy the huge resistance area. So, on the original buy I got caught in the gap down on earnings. Now, as a trader who looks to hold longer term, earnings are part of the game. This time, it was not in my favor. However this round trip turned into one of my best trades of the year. After the gap down, I added to my position with a stop below the low of day. It quickly bounced to that $75 area but just seemed to have gotten there too quickly (see those 4 little doji days). After a shake out followed and couldn't take out that earnings low, I felt stronger in the trade but wasn't nearly out of the woods yet. I then added through highs, still too early. Then the last buy, which is funny because I was pissed it triggered, was friday at 3:51pm when the Buy-Stop filled me.

Remember how we tend to say smart money marks the close. Now in the moment I wasn't thrilled, but it's how things work out. The next day, surprise, surprise, news comes out of Washington (one of the rare times when the Government moves the needle in the right direction) that put Bios back in play with KITE leading the charge. After that gap up I know that I was right, however like before, still not out of the woods. I moved my stop up and almost got shaken out on the day of the gap up and realized I needed to trade this thing right and give it the space it needed. That $90 level was a monster. Peep below...

Once I zoomed out and saw how big this $90 level was, I knew I had to be patient, and just like the other lessons, once it gets back to that level, we should be looking to add more often than not. For the majority of any round trip trade, I look to sell my shit stock first to get it off the books.. so that $85 buy was the first to go at $95 for no reason other than getting rid of the round trip stock. After that I could relax and let the rest of the stock do it’s thing, and do it’s thing indeed, a buyout and 140% later it made up for all the shit round trip trades and then some. As long as you know your limitations, you can adapt and succeed, if you don't know them, you are going to get hurt.

As a trader, investor, or whatever you want to call yourself, the longer you hold a name the higher probability that one of the following 4 will happen at some point:

A. Be red in the name (all par for the course just don't be quick to add)
B. Be really red in a name (scariest and best time to add if you have a plan)
C. Be green in the name (find a flag to add through and leave your bias at home)

D. Be really really green in a name (lighten the load and be patient)

So does it suck to have botched UNP, CAG, BIDU, JAZZ and MELI for breakeven or pussy profits when they could have been winners? Of course. However we are in the numbers game, you need to kiss a lot of frogs to find the KITEs of the world. Or Like Arnold Rothstein used to say:

"If you have sufficient resources, the most beautiful women in the world are attainable."

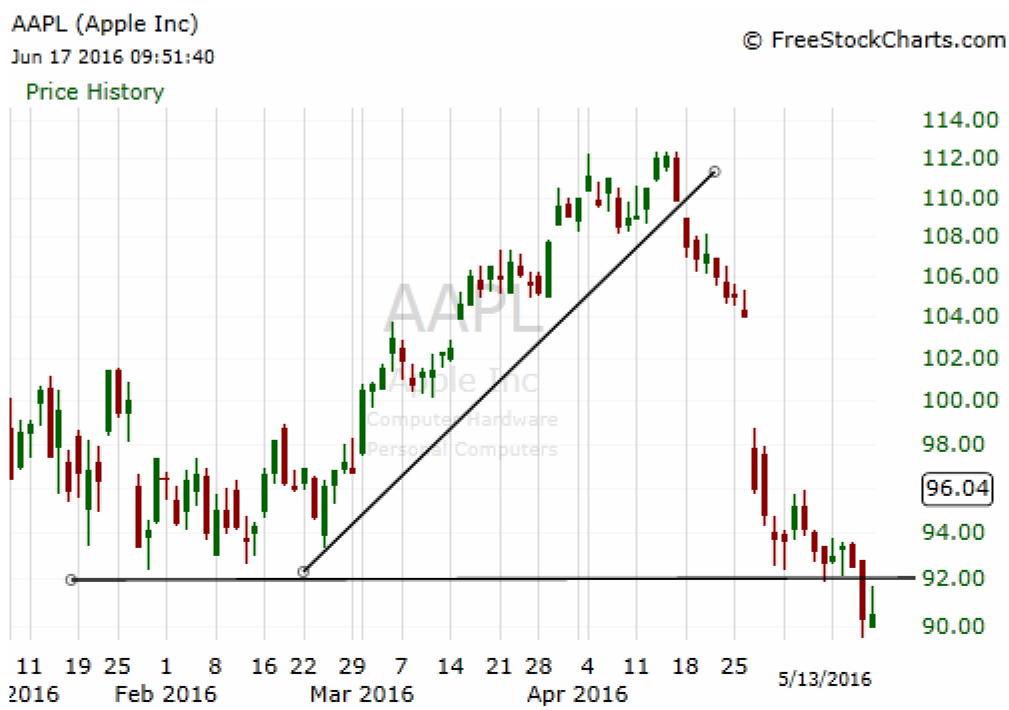
Learn from the frogs so you can crush the real winners when they show their hand in life and in the market!

Chart Reading Task

***Share* a round trip trade story, post the chart and add at least 3 arrows on the chart and explain the different feelings in the trade.**

For example - 1st arrow when you first bought the stock you felt you were going to make money, the 2nd arrow you were still confident yet red in the name, the 3rd arrow you were really red, shitting your pants, praying it will come back, the 4th arrow it's back at your price you get out, breathe a shy of relief and watch it as it trends higher with your thing in your hand.

Spot Trends, Don't be a Bag Holder



One of the most talked about stocks is by far Apple. In recent years it has been a market leader, in the sense that when Apple did well, the market did well - when most would think the market dictates how individual stocks trade.

However, stocks cannot always continue to increase in price. We are not going to sit here and tell you that you should have bought Apple at $93 back in March and that you should have sold at $112 and rode the trade perfectly.

What you and I can both see, is how clearly the upward trend Apple broke around 10 days ago.

Now stocks tend to fall much faster than they rise, why is that?

Everyone loves to see their positions profiting right, so there is no rush to get out, once the tide turns and investors start to see red. They panic and look to get out, first smart money or professionals will get out quick and/or get short. While the individual without a plan will use the "*hope & pray"* method. "Please just go back to $112 and I will sell, please let it get back up to $110 and I will sell." etc etc.

Now Apple missed on earnings, gaped down rightfully so and has broken through that support level of $93. Now any investor who has purchased Apple stock from Jan 1st until now is in a losing position.

If you were long Apple through $99 in March of 2016, where would you have stopped out? Would you have been a bag holder?

Do you think all of the investors who purchased Apple stock this year will start to puke more of their stock since now all of these positions are in the red?

Chart Reading Task

Post in the Chart Reading chat 1 chart where any investors who are long the stock are currently bag holders. Where it would be impossible to be profitable in this name if they bought the stock within the last year.

POST IN THE CHART READING CHAT

Sell The Retest

When it comes to a stock retesting it's prior all time high, most who just got in the stock are hoping that it breaks that prior retest and continues higher. In reality more often the opposite tends to happen. Why is that? It's actually quite simple, everyone else in the stock especially those with a really high cost basis cannot wait to get out for break even or to say they sold at the high because it can't go higher (in their eyes).

The shift of this overall crowd from holders to sellers creates resistance at the prior high because humans act in simple ways. It wasn't because at a higher price Visa's valuation would have been too rich for their blood even though their initial idea was based on some made up fancy idea. Selling reasons are much more basic, to get their money back.

In Visa we took a textbook bull flag breakout with the simple plan of buying up through $200 vs $198 with the goal of holding until the retest which was $214 (7-1 risk reward). Now we avoid capping our upside by putting limit orders into that area, just in case it does want to go higher as there are no certainly when it comes to trading. What we do want to do is continue to up our stops so if the stock does turn we will be out with our investment and profit.

Fast forward a month later, Visa is still trading lower than the retest as it continues to base and set up for it's next leg back up through highs, now 3rd, 4th, 5th time back up to those prior highs and retest area, is when we want to focus on getting long as each further attempt increases the probability that the trend will continue higher.

We see this again in the Healthcare sector, with VHT putting in an all time high at $210, pulling back for a few weeks then making another go at retesting that high. Now there are times that it will briefly breakout as we saw with Visa and here in VHT. The crowd buying up here tends to be the dumbest and poorest in the crowd. They are the small buyers without any power to continue the momentum higher. This is why instead of selling into the retest and capping our upside. We continue to raise our stop, now if the trend wants to continue higher, great for us. If it wanted to pull back and stop us out on the way back down through $210 we capped our downside.

Let’s say you recently got a long VCR up through $240 with the goal to hold at least to the retest of $252, it approaches $252 and for 2 days put in doji candles (indecision) vs $248. Your stop was breakeven where do you up your stop to now?

The correct answer would have been under $248, the following day you would have been stopped out for profit.

Chart Reading Task

In the Group Chat find 3 charts and draw out the horizontal line of resistance at the stocks all time high and put a down arrow showing the retest and where your stop would be if you were in prior to the retest.

POST IN THE CHART READING CHAT

Example below


Tradingexperts24 published on TradingView.com, October 15, 2020 15:29:16 UTC
BATS:VCR, 1D 247.62 ▼ −0.93 (−0.37%) O:245.00 H:247.62 L:244.17 C:247.62
VANGUARD WORLD FDS VANGUARD CONSUMER DISCRETIONARY ETF, 1D, Cboe BZX
All Time High
Retest
Stop $247.89
USD
251.78
247.97
244.00
240.00
236.00
232.00
228.00
224.00
220.00
Sep
14
Oct
12
21
TradingView

Blue Sky Breakouts

The Blue Sky Breakout is often one of the easiest setups one could take, yet ironically one of the most difficult for the young trader to comprehend. The Blue Sky Breakout to the naked eye often looks like a trade with the highest risk possible. Buying a stock as it trades at the highest price it has ever traded at.

My less experienced self would laugh at such a set up claiming *“it's too expensive”* only for said stock to continue getting more expensive while my bargain bin stocks continued to become an even better bargain.

To the trained eye, a Blue Sky Breakout is often closest to a Mona Lisa type technical setups.

The stock is clearly a winner (top right of its daily chart).

It’s weeding out the impatient crowd from lower price points as it continues to battle with the main seller at all-time highs.

It often has the tailwind of positive news behind it (try naming a stock hitting new highs with horrible news).

Most importantly, the risk of being wrong is often the smallest at these expensive prices as the buyers supporting the stock continue to step up giving us proper pivot lows to puke out of (if said all-time high is truly the all-time high).

Before we jump into some examples of Blue Sky Breakouts, first let's look at a recent trade that was and could not be more the opposite of said setup, let's call it a Black Cloud Breakdown to really hammer in this idea.

DASH was the complete opposite of the Blue Sky Breakout, it was hitting new 52 week lows (bad) “*but*” (excuse) looked like a low risk buying it on the way up vs said low.

The issue was that low-risk buy was actually 7% risk, which isn't low risk at all. Sure it bounced a few points higher as we often hope (red flag) that it will immediately rocket right back to highs.

Psychologically we have been primed all our lives in the real world to shop for these deals. You never walk into the car dealer and say *"I want to pay 5% over sticker!"* Just as you've never tipped the meter maid who just gave you a parking ticket. We have been primed for as long as we can remember to hunt for the deal.

This is why it can be hard for most to comprehend wanting to buy a stock just when it's getting to the most expensive price it's ever been in history. Going against every instinct to find the best deal.

My Dash trade was as fragile as possible with much more to lose then it realistically was able to gain. While these setups as Nicholas Taleb would claim to be antifragile as they imply there is more to gain then to lose.

Let's go through a few examples to see why it can often be in our favor to buy such expensive stocks, as they often pose the lowest risk trades available while giving us unlimited upside. An antifragile perfect storm.

It's hard to remember NVDA when it was sub $100 just as hard as it is to remember how expensive it was $40, how overpriced it was at $48, and overvalued at $70 as it continued to climb 1000% higher. Blue Sky after Blue Sky after Blue Sky.

Even after most claimed it to be over valued at $70 it continued to get even more expensive going on nearly a 500% run higher, never once getting cheaper than those relatively expensive prices at that time.

Today $120 looks like the buy of a lifetime, at the time it looked like the sucker's buy to most.

When we are looking for Blue Sky Breakouts the key is to focus on the 3rd+ major attempt at the all-time high area. As at the first time, it's rookies chasing, the retest is held down by the rookies leaving the trade and the 3rd+ attempt is often the smarter traders sneaking in. **The longer the span between these 3+ attempts the better.**

We can see two perfect examples in one of the most hyped names last year. While the last Blue Sky attempt did not have the momentum to take out the all-time high at the 3rd attempt.

MMC is another example where it took 6 attempts to finally break the all-time high, for us that doesn’t matter as our buy stop could have sat for a year doing nothing, only to trigger once it finally broke above $120. When it did finally trigger, our risk was $4 (3% risk) as the stock grinds higher day after day.

Given most traders' propensity to want to find the best deal, they often end up in the battle with the stock on it's way back to highs, which is an honorable trade, but unfortunately, it tends to be the slower one.

It took SIVB a year to rise 100% from 52-week lows back to 52-week highs.

It took SIVB 4 months to rise 100% after breaking above its all-time high.

Try to find an example of a stock that got back to prior highs faster than after it broke out of its relevant Blue Sky Breakout (this is quite the task as I am trying to find an outlier to take the other side of this lesson).

SNAP took the better part of a year once it started to turn around in 2020 to get back to highs increasing about 100%.

While it took a mere 4 months to increase by 100% once it cleared those Blue Sky Highs.

The tricky part with the Blue Sky Breakouts is that these names often need months to really get going. While our goal is always to limit risk and our greedy minds want us to sell for profit as quickly as possible, we often give these Blue Sky Breakouts away far too quickly (myself included).

To really hold these breakouts for all they are worth, the proper risk is often vs the weekly low of the candle that successfully takes out the Blue Sky Breakout level (I am currently in 3 Blue Sky Breakouts and am lowering all my stops back to the proper levels).

If we can step back from micromanaging these Blue Sky Breakouts and try to adhere to a few simple rules we should be able to turn more of our profitable swings into longer term holds.

1. Only buy the new all-time high at the 3rd+ attempt
2. If the stock successfully breaks out and closes at new all-time highs the proper stop should be the weekly low
3. These breakouts often take months, not days, give them the time they need (don't micromanage)

Now not all Blue Sky Breakouts are created equal, some might be fake outs, some might go a few points and reverse. Always remember trading rules are written in sand, not set in stone.

TDG was a Blue Sky Breakout, yet it went a mere $10 in my favor, in a $620 stock that is less than 2%, I am not giving this type of breakout back to the weekly low.

I will take this off breakeven all day long and have no problem trying again next time. As the real Blue Sky Breakouts rarely (if ever) come back to the breakout level.

Those 3 simple rules are for the breakouts that actually go where we feel eager to justify taking profits as we claim:

“The RSI is high, I am taking some off”

“it has gone up too much, too soon”

When you start to hear those in your head when the stock is breaking out to new all-time highs day after day. This tends to be the time to do more hand sitting than playing with the keys. Why try to justify selling a stock that is more than likely going to follow the path of least resistance which is often higher in time.

We even see this in the broad markets as most often look back to the recent prior action to justify what's expensive or cheap; SPY $260 was expensive at one point, and now looks like a steal. Who is to say in time that SPY $420 was a deal when right now most say it can't go higher?

Give it a few months and time will tell.

Blue Sky Breakout Rules Written in Sand

1. Buy the new all-time high at 3rd+ attempt at all-time high
2. Stop vs the weekly low of the candle that breaks the high
3. Time frame should be a min of a few months before thinking to sell
4. If the stock doesn't break out with momentum, nothing wrong with a stop closer to breakeven
5. The longer the level has been resistance the better the chances it trades higher
6. What's expensive tends to get more expensive in time (keywords: in time)

Chart Reading Task

Find an example of a Blue Sky Breakout that has already broken out, what was the risk in the trade buying the all-time high vs the weekly low of that candle?

Find a stock on your watchlist that you feel is "cheap" (near its 52 week low), how much are you risking by buying a level you find significant vs the 52 week low?

Which setup is riskier, the expensive stock that took out the all-time high or the cheap stock near the all-time low?

Bonus - Can you find a current Blue Sky Breakout that is setting up?

Momentum Moves

There's a very specific reason we don't buy these momentum names on the way down. LITE proves this in the above chart. Another good example of this is crowd favorite AAOI. The way 'healthy' uptrends occur is they stair step higher --- bull flag breakout, consolidate via bull flag/sideways action, breakout --- etc.

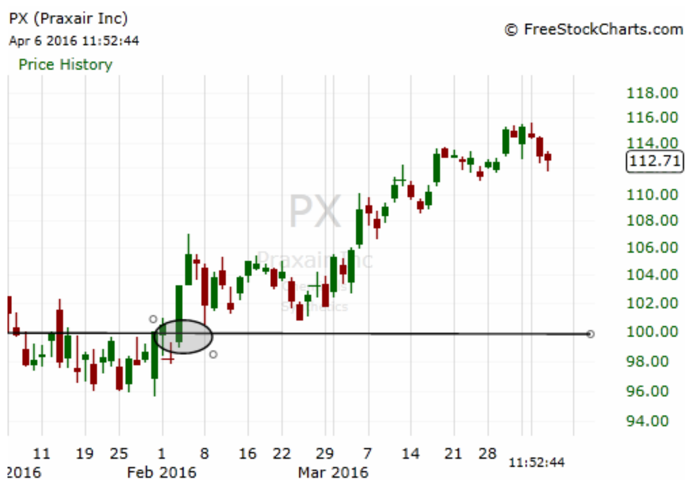
These momentum names, which are some of our favorites to trade because of how fast and far they break out, do not build healthy uptrends. They characteristically rage higher, without building higher levels of support along the way. This is why it is normal to see such dramatic falls from highs in these types of names. So, wait for them to build bases and use the normal clues to get long -- don't try buying dips at $44 because it was $56 last week -- because it can just as easily be $30 next week.

Chart Reading Task

Post an example of a stock that had a momentum move higher and draw a line showing when the move changed and broke lower.

POST IN THE CHART READING CHAT

The C Note



Trading is more human psychology than skill in most cases and Praxair (PX) is a prime example of this. When watching stocks around the $100 level, it is known upon professional traders that if a stock can break out through the $100 level on strong volume and hold above it that day, that all one must do is put their stop under $100 and let it ride. Now the novice investor usually does not know this, and will at some point get stopped out while the professional trader sets his stop at $99.99 for example and lets the trade ride.

On this given day (circled on the chart) the risk in this trade would be around $1, entry through $100, stop below $100 and now the stock has gained over 14% in less than a month.

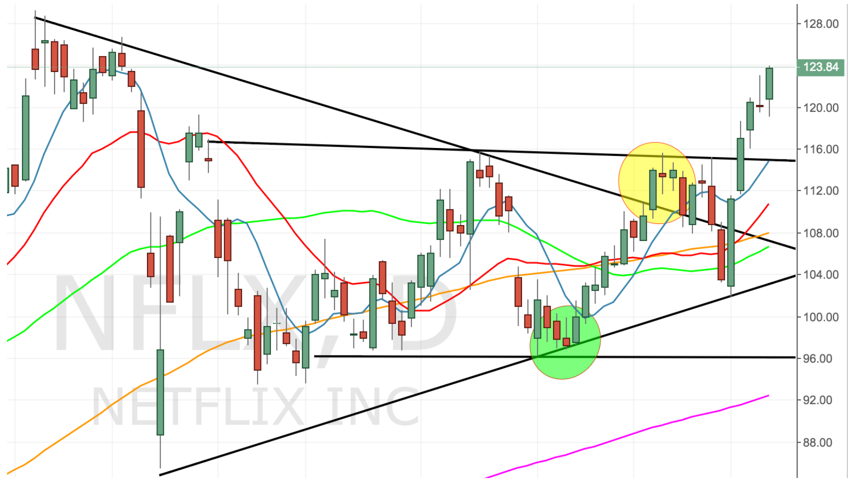
Keep an eye on stocks as they approach the $100 level and you can spot some easy trades with great upside potential!

Chart Reading Task

Post an example of stocks that broke above $100 where a stop at $99 would have kept you in for at least a 5:1 trade.

POST IN THE CHART READING CHAT

Netflix and Chill, a $10,000 Swing



After NFLX gapped down following a slight earnings miss, we wanted to see how it would handle it’s significant support around 96. Would the shorts pile on or is it a buying opportunity? The days highlighted with the green circle were days in which the overall market was down significantly. If it were a weak stock, it would likely breach support yielding a swift move lower. However, it showed a ton of relative strength, signaling it would have a move higher when the market settled. We were able to initiate our swing trade at $100 and sold most of our position in the area signified by the yellow circle. It is very useful to use trend lines when looking to initiate positions as well as take profits.

Now let's take a closer look at this trade, looking at the hourly chart of NFLX during that period!

As we mentioned, the market was selling off, and if NFLX was weak it would have continued to sell off and break down lower, but after we noticed it was holding up, we were able to accumulate a 1,000 share position. Started first with a 100 share feeler and adding more as we grew more confident in the trade. After, it broke above $100 and held above it. We had a hard stop in at $98.99. The risk in this trade was around $1,000 if it were to fail and stop us out.

How do we come up with $1,000 risk?
If we have 1,000 shares at an average price of $100 and our stop is $98.99
$100 - $98.99 = $1.01 x 1,000 share position = $1,000

We strive to make at least 5 to 1 or more on our risk.
Why is 5:1 risk reward so important you might be thinking?

Here is an example of 5 trades where we risk $1 to make $5 on a 100 share trade.

Trade 1 : Stopped out - Lost $100
Trade 2: Stopped out - Lost $100
Trade 3: Stopped out - Lost $100
Trade 4: Stopped out - Lost $100
Trade 5: Trade worked - Made $500
Net $100 Profit

After 4 losing trades and only 1 profitable one we made $100, we only had to be right 20% of the time to still be profitable.

Now most new investors are greedy and sell their winners early. With an average risk reward of 1:1, let's try this same example again.

Trade 1 : Stopped out - Lost $100
Trade 2: Stopped out - Lost $100
Trade 3: Stopped out - Lost $100
Trade 4: Stopped out - Lost $100
Trade 5: Trade worked - Made $100
Net $300 Loss

After 4 losing trades and only 1 profitable one that trader lost $300, even if he was right 40% of the time he would still lose money. To put that in perspective, Hedge funds are only correct in their trades around 35% of the time but they have great risk reward. That's why you need to understand how important proper risk reward is.

Back to the trade at hand, we had $1 of risk so we started to sell into strength, selling at $105 (5-1 risk reward), $108 (8-1 risk reward), $112 (12-1 risk reward), $114 (14-1 risk reward) and getting stopped out of the rest around $110 when it made a new, lower low. The upward trend it was on for the past week was now over and we finished the trade with over $10,000 in profits on $1,000 of risk.

The main takeaways from this are:
- Starting small and adding as the trade continues to set up better
-Having a hard out and sticking to that out
-Having a game plan prior to the entry
-Selling into Strength (we are not here to call tops and bottoms but to ride the trend for the meat of the move)

Chart Reading Task

Your task is to now go out and find 2 stocks that have clear lines of support and resistance and formulate a game plan for each and post them in the Chart Reading chat.

POST IN THE CHART READING CHAT

Keep up the consistency, only 25% left to go! Let's hear it in the chat "I only have 25% left to finish Chart Reading, I will complete it by (insert your deadline)

Stock Split? Run for the Hills!

When a stock is splitting, in short run for the hills! Stocks often split for one of two main reasons, the first is the share price is continuing to get more expensive (a good thing if your long) but it's outpricing the dumb money crowd who cant afford to buy in and chase extended stocks. So they will split the stock and increase the float to lure in the idiots. So they can now afford to chase the expensive stock.

A split does not increase the value of the company, doesn't raise money like a secondary offering, or improve the companies valuations, it's purely taking your $100 bill and giving you back 5 $20's. Yet the dumbest people in the crowd love 5 $20, screw it make it 100 singles and their eyes will really light up!

We saw this recently with TSLA (above) after increasing by over 500% in a year, they announced they would split the stock. The dumb money crowd ate up this news and sent the stock on a run. This crowd was so uneducated that they continued to buy up TSLA after they announced a secondary offering.

A secondary offer is when a company sells more shares to the public (increased the supply of shares) and can take the money raised to use for their benefit. Smart companies do this near all time highs because they get the best bang for their buck. Companies in dire situations do this near lows - really run for the hills if this happens.

When a secondary offering happens, the stock will (usually) gap down on this news because the company is increasing the supply of shares. The crowd in TSLA were so misguided they took it as good news and continued to bid the stock up. This was the cursando of the stock in the short term as we saw TLSA drop by over 30% in the next week after the split was completed.

Now we mentioned a stock tends to split for one of two reasons, the second is that the share prices are so cheap that they artificially make the shares look more expensive. You only see this really in leveraged ETFs that are designed to go to zero or stocks in major financial trouble. Citi did this during the financial crisis and crushed shareholders as a result.

If you owned C pre financial crisis after the reverse split you are still down over 90% a decade later. You would need the stock to increase by 1000% just to get back to even. This latter part of a stock reverse splitting should be something you never experience because you don't buy leveraged ETFs designed to go to zero, or companies near bankruptcy. If somehow you ever are in a stock that is above to reverse split the stock, forget running for the hills, sprint for the hills because it's over.

Another famous split recently was Apple at the same time as TSLA as both stocks were on similar runs with a similar crowd chasing both. Apple also dropped more than 20% after the split was announced.

Now if you are in a stock long term and up a substantial amount percentage wise, then just know that it will get rocky ahead after the split happens. Say your cost basis was $60 in Apple, the pull back won't phase you as in the long run it will most likely continue higher. But if this is a recent swing you took on, just like an earnings trade, hold up until the day before the split and get out of dodge.

As the markets continues to get easier for the dumbest of the dumb to enter, we should expect this trend to continue. As we recently saw PTON gap up on news of a product recall. Successful expensive companies will look to split their stock to continue to lure in the dumbest of the dumb. Use this knowledge to your advantage and hold on right before the ship is about to hit the iceberg as the rest continue to party.

Chart Reading Task

Your task in the Chat is to explain your gameplan if you are long a stock that announced they will split their stock.

POST IN THE CHART READING CHAT

Inflection Points

When stocks are consolidating near significant support or resistance, this is known as a *"point of inflection"* when talking about technical analysis. A *"point of inflection"* directly refers to the point at which a trend either makes a U-turn or accelerates in the direction it's going.

We recently mapped out a trade in WUBA where at first it appeared to be basing, consolidating at support as buyers slowly accumulate positions, pointing to a move higher. Judging by the price action yesterday as the markets collectively powered higher, the notable weakness in WUBA is very telling.

It appears that what we initially thought appeared to be a base, was really a bear flag. ***Trading is all about making adjustments and quickly being able to admit when you are wrong*.** Looking at it's recent weakness, further signified by it being a "bottom-right" chart trading under all of its major moving averages, this is a clear short.

Trigger: $44 Stop: $47.51 Target: $35

Chart Reading Task

Post a chart that is near major inflection points on their daily chart in the Chart Reading Group Chat.

POST IN THE CHART READING CHAT

The Importance of Volume

An analogy on the importance of volume.

Picture that you're standing in a huge field with 10,000 people. The 10,000 people represent the scattered volume throughout every stock in the market. It would obviously be a lot more people, but for the analogy sake, we'll call it 10,000.

Let's also say that throughout this field there are 20 even sized boulders. The boulders represent stocks at resistance (and their weight being so difficult to push would be the sellers). Each boulder represents 1 stock.

The people represent the buyers in the market. Their objective is to push the boulder as far as they can, with the distance representing a relative rise in stock price. Once they ring the bell, all the people scatter trying to push whichever boulder they please. You stand back and wait for 15-30 minutes and take in all the action.

Obviously, the boulder with the most people pushing it will move the furthest, in the swiftest amount of time. It would be prudent for you to follow the highest amount of people, or greatest amount of volume in a stock breaking resistance, in order to gain the most. The best breakouts will always be characterized by the high amount of volume, especially after resistance (once they get the boulder rolling).

Chart Reading Task

Your task today is to create your own analogy for trading or learning how to trade and post it in the Chart Reading chat.

POST IN THE CHART READING CHAT

3rd Time's a Charm

Our Trading Experts Member David had a Game Plan for TREE and we felt it would be a good lesson on how/when to buy into support that could help you.

The Game Plan was :
Stock : TREE
Entry : $102.05
Stop : $98.99
Target : $109+
Trade Setup : Bull Flag
Reason for Entry : Buying near support

His stop vs $99 would be the same area we would put it ($98.99) since TREE held that area the last two days, and 3rd time's the charm. Meaning if it gets down there again, it's probably heading lower.

When you look at the bigger picture of TREE on it's daily chart we can see $110 is clear resistance, an area myself or Shake would buy all day long. Since you, me, Shake and anyone who can read a chart can see that resistance area as clear as day.

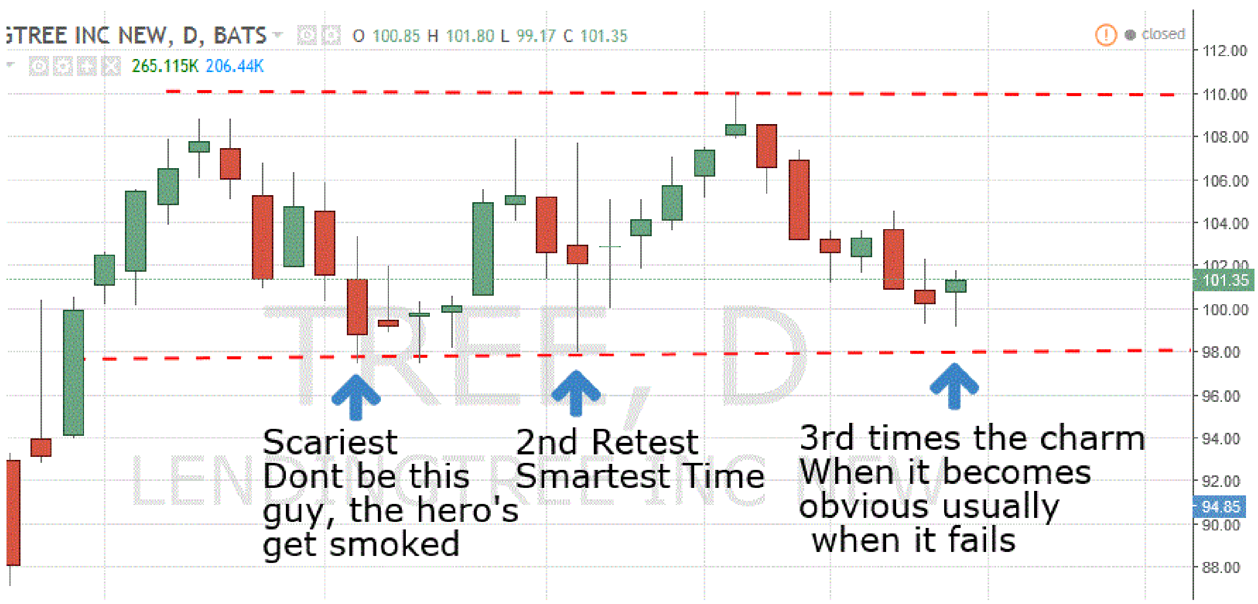
When you look at $102 you can see how $102 is really meaningless in the bigger picture other than having been the high from 2 days back. Risk reward wise, buying into support gives a much better RR than me buying the breakout at $110, however you have to remember the probability of the trade working. I could say confidentiality that above $110 TREE's heading to $123 based off the flag it's been putting in, however I don't know when, this is the main reason why Shake and I use "buy stops" to trigger us in "when" it goes.

Above $110 there is no real resistance when currently, anyone trading this name or in it, is going to have orders all over the place. People are selling at $103, $104, $105 etc so it's a much more choppy and less clean trade.

If you remember the OKS example, once that broke $44.50 (for TREE would be $110) no one really knew where OKS was going to go, we had a plan of $46+ and got stopped out at $45.99 after going to $47, however anyone in the stock didn't really know where resistance was since it’s breakout.

In the chop of this flag, every **figure** (whole dollar) is going to be a battle ground. $104 is going be a pain in the ass, $106 is going to be tough, there will be some Mutual Fund with a million shares on the offer at $108, and some Billionaire playboy who wants to brag about selling his stock at $110 who will chase as it breaks out, and that's when we want to be in!

So when/if you are buying into support, it works best when it's the most **scary**. What do I mean by scary?



The Scariest is the first time, when no one knows it's support yet, until after the fact. The people who buy on the way down, are the "Hero Traders", 9/10 times they're rookies who pick a price expect to buy it and the stock immediately is supposed to reverse because they're in. We all were those guys at one point, don't be a contra trend trader. For that one time you catch the lows, you tend to sell it much faster and miss the real move.

The Retest of those lows, or what is called a "**Double Bottom**" has the best probability if you like to buy into support. Classic Example below:

Sure if there are triple bottoms, quad bottoms etc, sure. However after that 2nd retest the probability of it holding gets smaller and smaller. Why is that? Think of it this way, if the stock is strong and everyone is buying it then why does it keep coming back down support? It's doing that because the buyers are weak and the sellers are strong, so the more times it comes down to support the more likely buyers are going to fold and get out of the way and either join the party and sell or just watch their P&L go red.

Buying into Support can be smart **If**

1. You know the probability is not in your favor
2. Know when to get out
3. When the trade works you really need to be getting 5/8/10:1 risk reward out of the trade
4. You have balls

Do we buy into support?

yes however it's usually pretty light, to build into a position. We're never betting the house on support holding because when it breaks it's fast and painful.

Chart Reading Task

Post 2 charts that are setting up for their 3rd+ attempt at a major weekly level in the Chart Reading group chat.

POST IN THE CHART READING CHAT

The BIDU Massacre

Let’s take it back to when I was just a youngin’ in these trading streets. I will be the first to admit that I was one of the most annoying new traders out there for the more experienced guys. I was so enamored by the business that I was referred to as an askhole, someone with endless questions to ask.

I knew all the stats going in, very few people are able to successfully trade stocks as their main source of income. I didn’t care, I was absolutely determined to be in the small subset of traders who make it. I didn’t have all these businesses Ben had growing up, it was either make it trading or get some boring cubicle job where Microsoft Excel would be my best friend. For me, it was make or break. Do or die.

All the desks would gather in the Big Room (best trading desk) at 8:45 am for a morning meeting where all the top traders would reel off their best ideas of the day. Jack, who famously led the meetings smacking a baseball bat into his palm trying to intimidate the hell out of anyone with less than 7 figures in their account, would constantly try to catch you slipping in order to embarass you in front of the room.

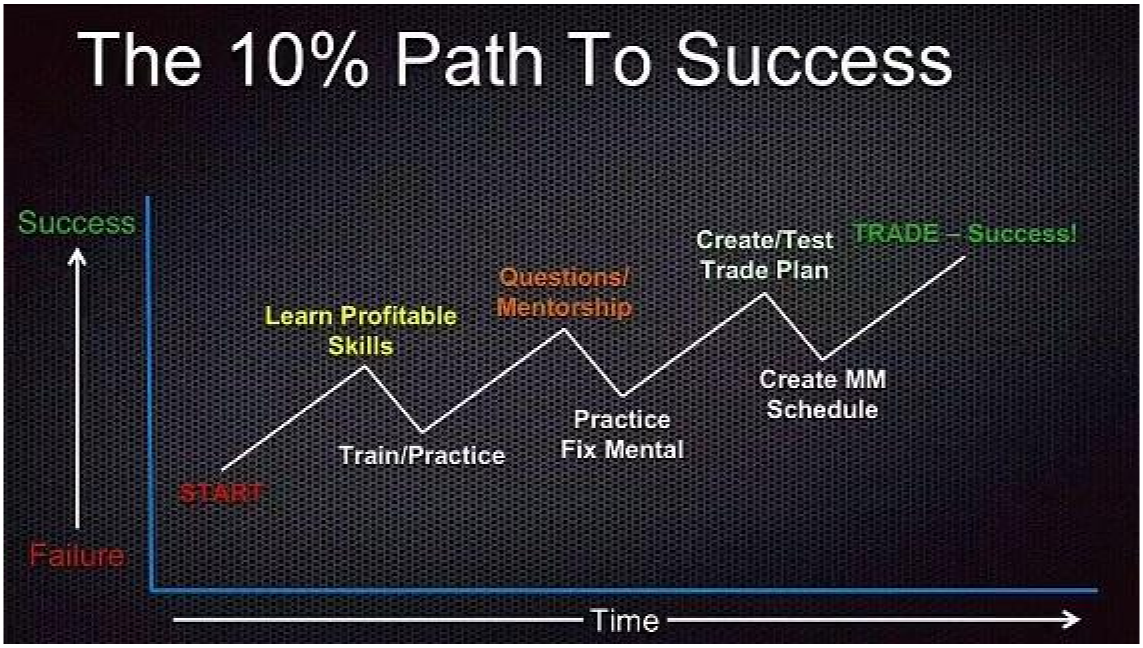
"YOU!" points bat at random 22 year old, fresh out of college looking scared for his life,
"What do we have going on at 2 today?"
"F-Fed day" He stammered, *"Yellen speaks."*

Within this culture, lack of preparation was a grave mistake which usually ended in public embarrassment. Jack seemingly lived for the public shaming at any new guy's expense. As Ben has mentioned in previous stories, a trading floor is the most hyper-hierarchical environment known to man. Your status is solely determined by your skillset and your experience. I've seen 45 year old men with families come in and get verbally destroyed by 24 year olds, and that's the way the game goes.

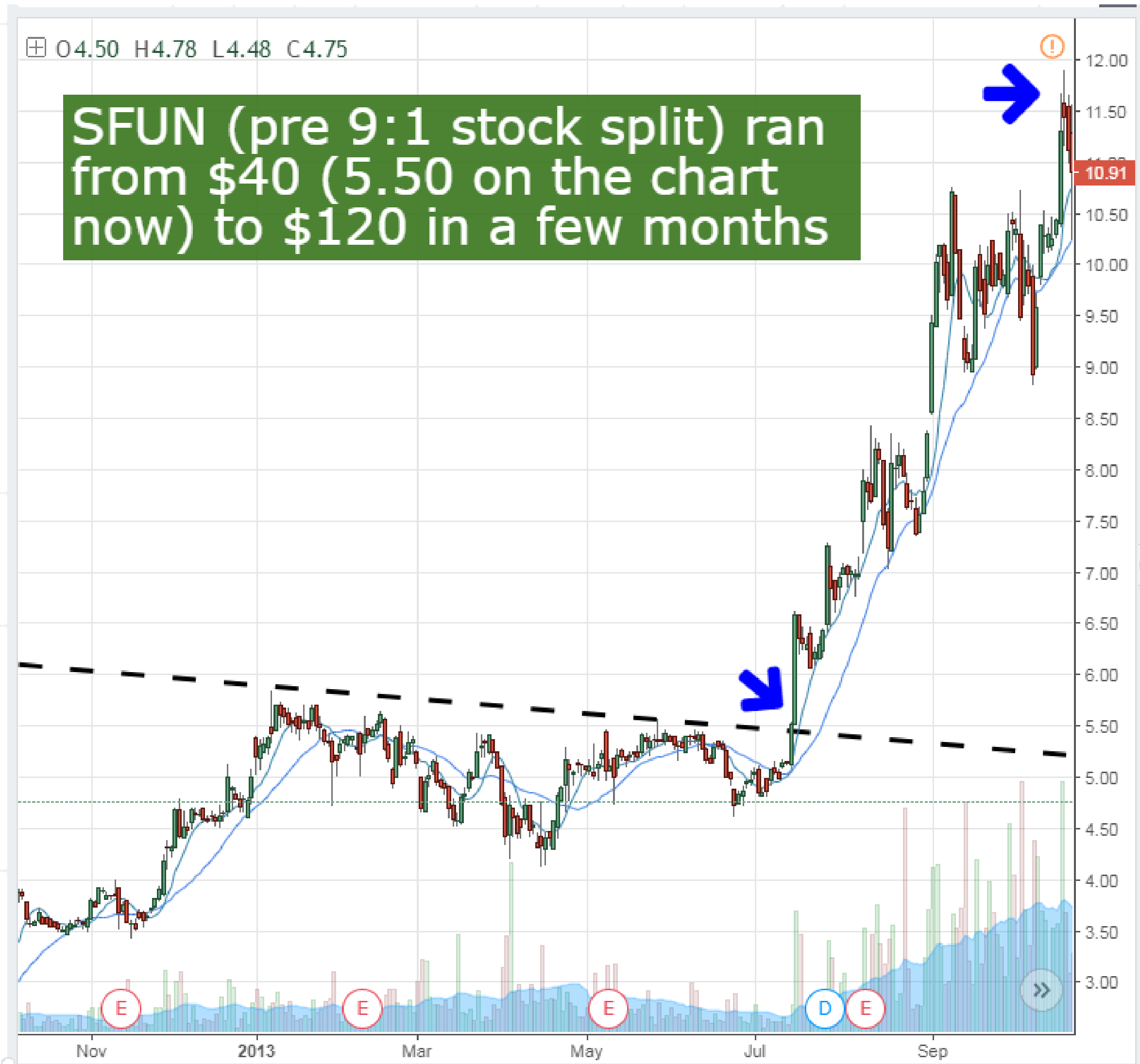
It was late 2013 and I was a very new trader, I was still on the Mook desk and had just a few months under my belt. The Big Room was the ultimate goal, but there were 3 desks in my way of making it there. I was currently on the desk that was the premiere target for public humiliation. 9/10 of us wouldn't be here in a few months anyway, what did they care about our feelings? Feelings?! Haaa.

We were the desk full of "mooks" and "future accountants," a moniker that made me cringe and legitimately kept me up at night. I knew I had to earn their respect. I had an enormous chip on my shoulder. I look at that time as a great learning experience, but an awful human experience. Those months were filled with the toughest lessons day in and day out, not only from Mr. Market, but from the big dogs making real money. Granted, I wouldn't give those harsh lessons up for anything as they have allowed me to become the trader I am today.

I made a goal to outwork my competition on the mook desk every single day and eventually out trade them all. Outside of work I am a very social guy, but when it comes to the charts and work ethic, I saw it as kill or be killed. Dramatic? Maybe. Tell that to my competition who just finished my taxes.



It's the morning of December 3, 2013. This was the tail end of maybe the easiest swing trading year in the past two decades. You virtually just had to buy resistance, set your stop at the day's low and count your cheddar in a week. If you think Chinese high betas are fun to trade now, you would have had a field day in 2013. The market was so strong all year so IPOs were being pumped out left and right, especially in the Chinese space. QIHU (since bought out), WUBA, WBAI, SFUN, SINA, BIDU & VIPS were a few of the go-to stocks.


O4.50 H4.78 L4.48 C4.75
SFUN (pre 9:1 stock split) ran from $40 (5.50 on the chart now) to $120 in a few months
12.00
11.50
10.91
10.50
10.00
9.50
9.00
8.50
8.00
7.50
7.00
6.50
6.00
5.50
5.00
4.50
4.00
3.50
3.00
E
E
E
D
E
Nov
2013
Mar
May
Jul
Sep


O19.17 H19.18 L18.03 C18.66
WBAI debuted end of year and ran from $20 to $45 in a few months
46.00
44.37
43.50
42.00
40.00
38.00
36.00
34.00
32.00
30.00
28.00
26.00
24.00
22.00
20.00
18.00
Dec
16
2014
13

O 112.99 H 117.45 L 111.55 C 116.96
SINA ran 30+ points in a 2 month span in 2013
73.55
Apr
May
Jun
Jul
Aug
Sep
Oct
Nov
Dec


O 17.02 H 18.13 L 16.63 C 18.06
VIPS (pre 10:1 split) ran from
$20 to $120 that year
12.00
11.60
11.00
10.00
9.00
8.00
7.00
6.00
5.00
4.00
3.00
2.00
1.00
0.00
Oct
2013
Mar
May
Jul
Sep
Nov
2014

What made this time even better for us traders was our information flow. The firm we worked for loved to sponsor Chinese kids fresh out of college whose rich parents would load their trading accounts with six to seven figures in order for them to get a 6 month US visa. Naturally, we had about 50 chinese traders in the office who we dubbed *"The Red Army"*. If you were to call out a setup in VIPS for example, it was expected that you would get clearance from the Red Army as there were good names and bad names. The good names, (VIPS, WUBA, BIDU etc) had no known fraudulent activity and were clear to hold positions overnight. The bad stocks, conversely, were on the do-not-swing list. You wouldn't want to hold these stocks overnight in the case that the inevitable fraud report would come out and the stock would TANK. Shout out to NQ (below) who had about 12 empty Chinese warehouses they claimed as headquarters. Yikes.

So back to the morning meeting -- Jack was going around the room, doing the usual berating. I'm standing there praying to God I don't get called on, but prepared if necessary. Something funny about today though, you really only heard one name being talked about across the room.

"BIDU 170" "BIDU" "All about BIDU" "A+ setup in BIDU" -- legitimately every big dog trader said they LOVED the BIDU $170 setup. A+ setup. Every Chinese name has been going off the richter scale and this one is giving us a relatively tight setup after earnings through highs -- a no brainer to load the boat.


O242.32 H249.10 L240.66 C247.26
BIDU bull flag
setup $170 trigger
170.00
168.66
167.50
165.00
162.50
160.00
157.50
155.00
152.50
150.00
147.50
145.00
142.50
140.00
137.74
135.00
132.50
130.00
127.50
125.00
122.50
19
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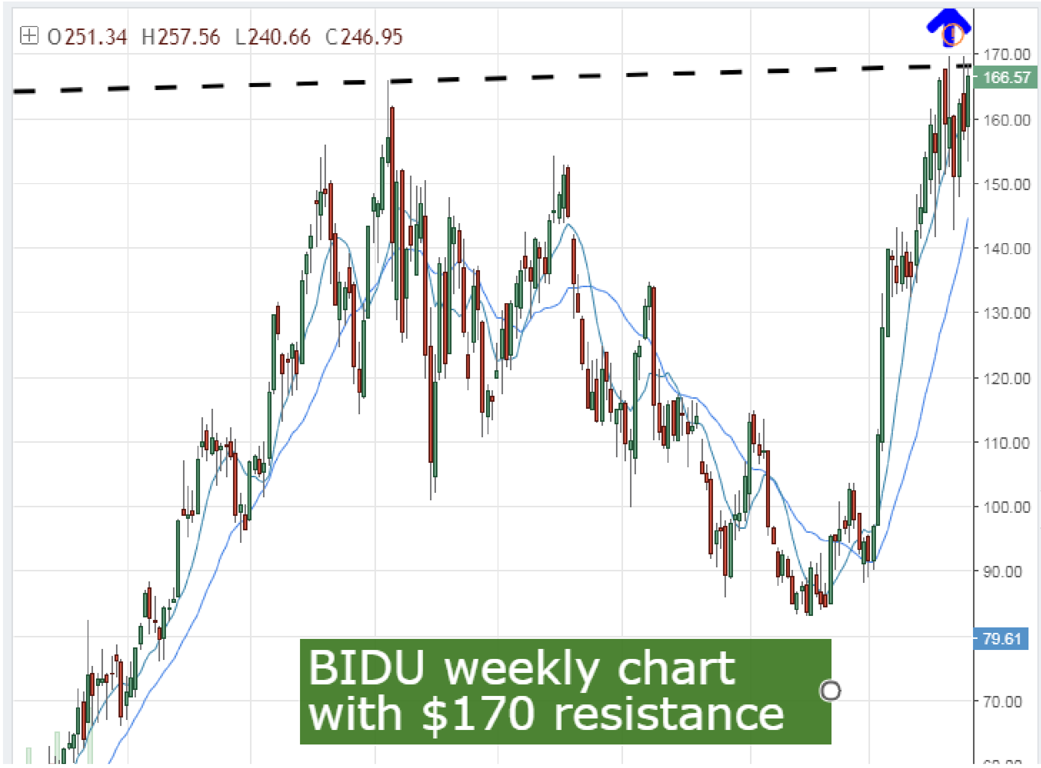
16
Oct
2013-10-08
Nov
18
E



Now, mind you, I'm on the mook desk. I have a $7500 highly-leveraged account with $500,000 in buying power on a $7500 account -- talk about kill or be killed! At the time, I had a $300 lockout which meant I couldn't open any new positions once my PnL was -$300 or greater. You pretty much have 2-3 bullets a day to trade with $100-$150 risk. I was just as concerned with proving myself to the big dogs as I was about making money (a red flag in and of itself - but that was the culture). The mook desk is not nearly as excited about BIDU as the big dogs, we're not even talking about it while the guys pulling 6 figure months are jumping out of their seats talking about it --- I'm thinking this is my shot to separate myself from the pack. Once BIDU goes off, the big dogs will walk over and ask who bought it (like every day---looking to further berate us) and I will proudly be able to raise my hand and finally earn some respect.

What felt like an eternity of a premarket --- the market was set to open.

DING DING DING The market opens.

I hear all the way on the other side of the room "BIDU! She's READY!"

The stock opened at $168.40 and raced for the level. I set a $170 buy stop for 300 shares. That was the extent of my gameplan -- buy that shit, it's going to $1000!

BOOM -- Buy stop triggers -- SOOO MUCH VOLUME. THIS IS IT. I got filled for 300 shares at $170.24 --- 24 cents slippage -- there must be heavy buying demand, this one is really gonna be good.

I will never forget how quickly my emotions turned from Rolex shopping to trying not to puke up my oatmeal. The circled candle below is the hourly candle of BIDU that morning.

Turns out that HUGE VOLUME was all DAY TRADER VOLUME. One of the traders (who was locked out) added up that our office bought in the region of 300k shares through $170 that first time ($51 million dollars worth of stock). Now, the big dogs, being veterans, immediately downticked (sold) most of their stock once they saw that $170 break and come right back below the level.

My no-plan-having-ass on the other hand - panicked. I puked 100 shares into $167.50 and my final 200 shares into $166 for a whopping loss of $1,050 -- with a $300 lockout. Mind you, my account had $7,500 so in those 15 minutes I took a devastating 15% loss. See why we say to avoid using margin? I was absolutely crushed, feeling the lowest of the lows. How could I ever make a career at this? I was sitting as low as possible in my chair - waiting for my boss to figure out what had happened and tear me to shreds.

My boss at the mook desk finally looked over at the risk monitor and saw I was down a G bone in one of my first months of trading. *"YOU'VE GOT TO BE SHITTING ME,"* I finally heard my boss say. He proceeds to rip me a new one, telling me I'll never make it as a trader because I don't understand the concept of risk.

I have a very selective memory where I'll have trouble remembering what I had for lunch yesterday -- but I will never, ever forget how bad I felt during those moments. Here's a guy I so badly wanted to be, whose actions and words I would duplicate in emulation, and he was screaming at me that I was a fool. Good times.

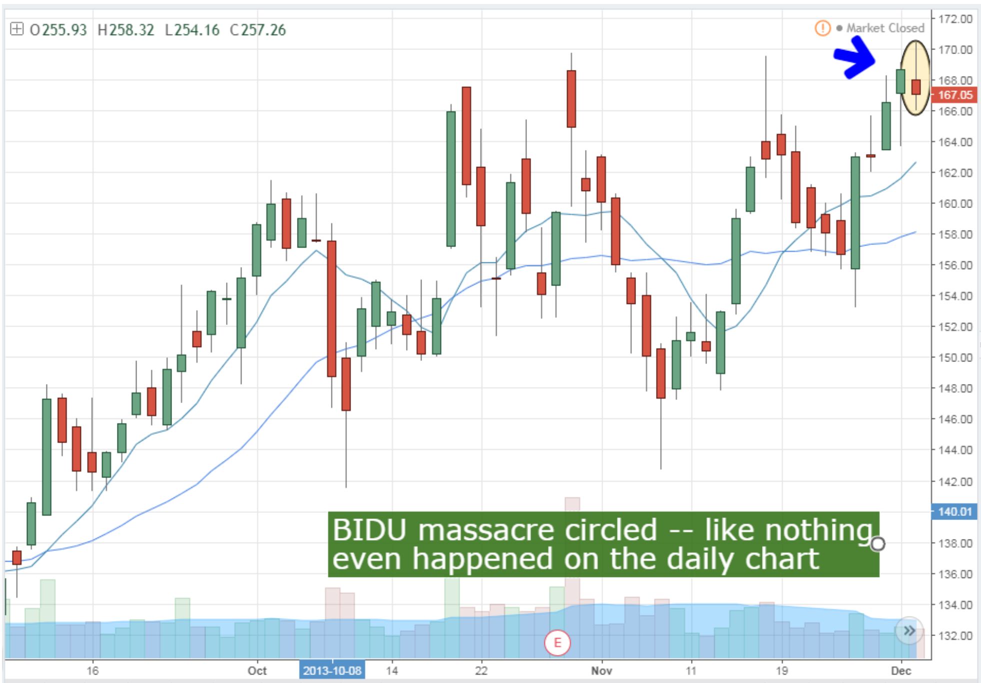
(Note from Ben - I remember this day vividly as Shake and I were not boys yet, and as he was my competition at the time, I figured I had a leg up against him. Funny looking back on that now as we are still the only ones from that desk that still trade and trade on the same side day in and day out.)

The funny part is that word got around that the entire office was smoked because of BIDU with cumulative losses near 7 figures. Once my boss heard this, he did a complete 180 and commended me for being the only one to have the stones to take the setup. (Remember - a trading floor is trying to weed out the mooks who won't make it from day 1 to save themselves the wasted time). A few hours earlier, I was the worst trader in the world, now I was the only one who might have a career ahead of them! Can't make this shit up.

The entire office was so smoked, so quickly. From a psychological standpoint, we let our emotions take over and it is so clear where I made all my mistakes. No gameplan.

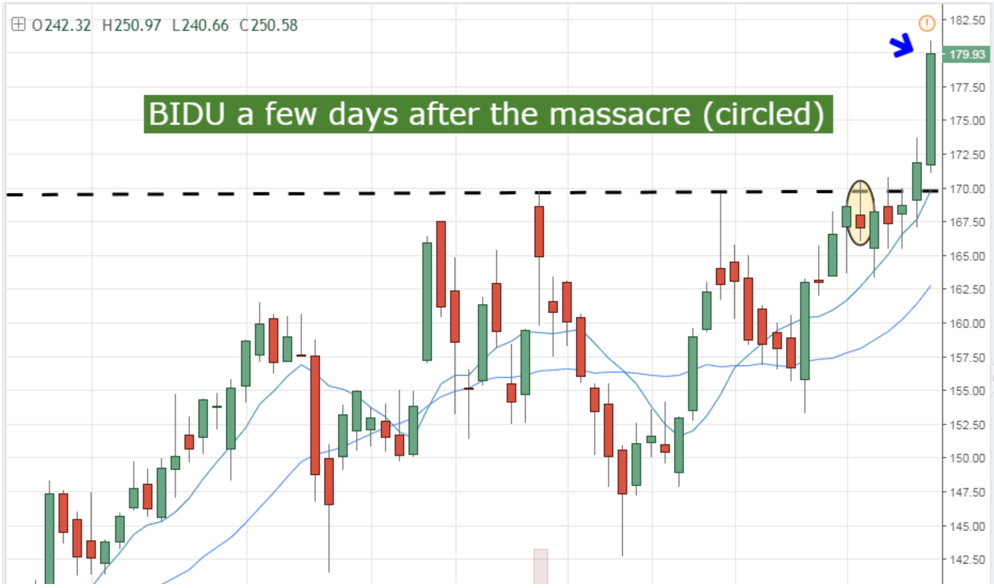
Didn't quantify my risk. Didn't even factor in the downside when I lost 15% of my account in 15 minutes. You can see why we never want our members to go this route.

The greatest irony in this story is how it ended.



Above is a daily candle of the BIDU massacre. To the naked eye it looks like nothing really happened that day. My soul was in that daily candle.

BIDU ended up consolidating the next few days and set up even better than the first time we tried it. The 8 SMA caught up acting as support and had a tight inside day underneath resistance -- until the major follow through (pictured below).



No one caught it. Not one of us. We were all so mentally destroyed from this name we could barely type it up. This was the first lesson I got that really showed me how psychological trading was. If I didn't have a bias I would have had no problem re-entering such a quality setup, but the thought of the name made me physically sick for quite some time.

Since that day, I've learned to trade without a bias, and understand that each trade is just a trade and that there will be plenty more. The market is always open tomorrow. Oh, by the way, BIDU is now one of my top career names.

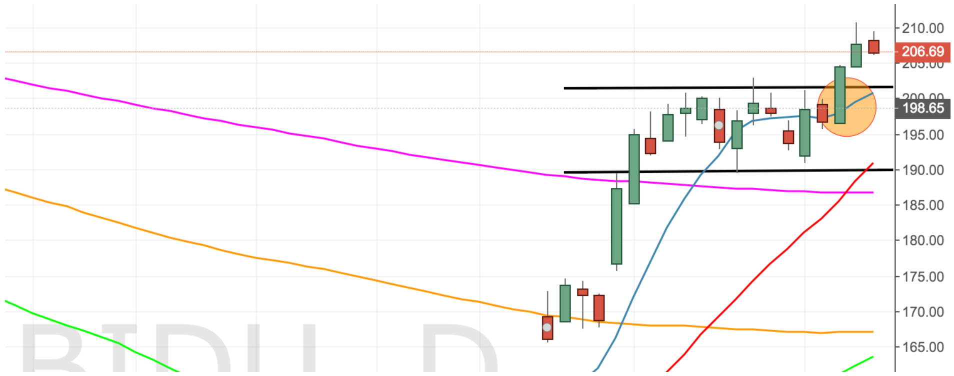
Chart Reading Task

If you have traded before and went through a similar psychological experience where you simply could not buy the stock back or quickly got out of a loser and ended up causing much more damage, please share the story in the Chart Reading chat and do not be embarrassed; we all do dumb shit from time to time.

POST IN THE CHART READING CHAT

You are almost there, just 10% left and you will be passing the finish line!

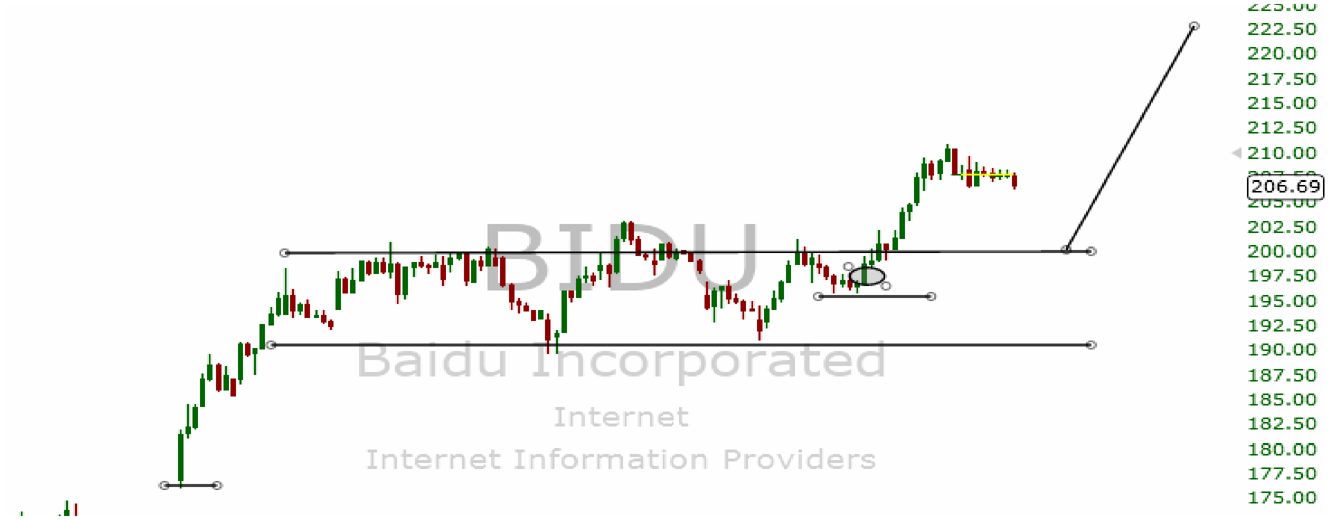
Bidu Bull Flag, a $15,000 Swing



After a few years of trading successfully it was finally time to come back and make back that initial loss from the Bidu Massacre. When it comes to trading momentum bull flags, this time I was prepared with a plan to extract my revenge!

BIDU had been on a tear since beating earnings on 10/29. After such a grand move higher, it is healthy for stocks to digest this move by going sideways for a period of time before continuing to move higher. BIDU did just that for about two weeks before absolutely BEASTING through 203 resistance. One of the most important aspects of this trade is the relative volume on the day it is going through the resistance. If there is great volume, we expect there to be follow through in the trade, which tells us to hold most of our position for a greater move. We placed our stop at the low of the day of the area signified by the orange circle but have sold a portion of our position into strength on the way up.

Now let's take a closer look at this trade:



As you can see there is an hourly Bull Flag forming in the range from $190 to around $200 area, around a $10 range. When the flag breaks, in most cases it should go the length of the flag, so a $10 range would equal to around a $10 break once it breaks out of the flag. After it broke out of $200 on strong volume it went as high as $211. We started this trade as a day trade buying 1200 shares at $198.50, giving it to $197.99 (the black line drawn under our entry). This trade was about $600 risk (1200 shares risking around $.50). We sold into strength over the next two days at $202, $205, $209 and the remaining at $210. When this trade was done, I had made back that loss from years back and then some!

The main takeaways from this trade are

- buying into bull flags
- having a proper out
- selling into strength

Chart Reading Task

Find a chart that is currently forming a momentum bull flags similar to this BIDU trade and post them in the Chart Reading Group chat with your complete game plan.

POST IN THE CHART READING CHAT

Days to Take Notice

Back in April 2016 we mentioned the day to take notice was when TSLA pushed through recent highs and sold off strongly. If you guys think back to NFLX and some of the other days we showed "Days to take notice" when the overall trend of the stock has changed. Three months later and TSLA is still trading lower.

Let's look back at NFLX to see if there is another similar sign to take notice of.

Back in November 2016 there was a nice wedge pattern we were trading in NFLX, and after it put in a new short term high around $130 and sold off strong, it was a sign the tides were changing. Fast forward 40 trading days later the stock was trading over $50 cheaper.

Learning how to take notice of stock's change in trend in real time will save you countless dollars in the long run.

Can you go out and find 2 stocks that had a similar sell off after making new highs and continued to trade lower?

Chart Reading Task

Post a chart with a circle showing a day to take notice where the overall trend of the stock had changed. Now that was the easy part, anyone can be a Monday morning quarterback.

Now let's step onto the field and post a chart and circle where you feel that today is the day to take notice as a new trade is about to form.

This could be a stock that was consolidating and is now breaking out, or a stock that you feel is very extended, or even a stock that is at its lowest low and is about to turn around.

POST IN THE CHART READING CHAT

Congrats on completing the Chart Reading Program! To move up to Trading Psychology one last thing to do!

Chart Reading Test

Did you know that over 90% of adults read less than one book a year? So far you have completed 5, see we told you we would get you ahead of 90% of the market by the time you completed these programs! (There are still more to go!)

If you feel you are ready to show that you have learned the skills necessary to move onto the next program Trading Psychology, we are going to put you to the test. In the Game Planning program, you might have felt the test was easy, however now it's going to be just a tad bit harder this time around. First we would like to hear what you have learned from being apart of Trading Experts by leaving a review on the link below:

Click here to leave a review

Thank you for leaving that review now let's put those newly acquired skills of yours to the test. Your task is very simple and one you have actually already been completing through this program. It is now time to find your A+ setup and post your complete game plan in the Chart Reading chat with the title *"My A+ Set Up"*. Now you might be thinking, really that's it? Just 1 set up? Yes 1 A+ set up, take note that for each of Shake's Trade of the Weeks in the weekly Shakedown comes as a result of scanning through over 2,000 charts. In the Big Picture Newsletter Ben follows a similar process scanning every Nasdaq, S&P 500 and Dow Jones name to find 1 set up out of thousands of stocks. Take your time and really find that A+ setup and do not get discouraged if your first few attempts are denied. 3rd time's a charm right? Below are the questions to cover in your A+ set up. Good luck!

Ticker/Name of the company:

Daily Chart of the last year of trading showing the resistance level

What sector it is in:

What is its average beta:

What is the set up :

What is your entry price:

What is your stop loss:

What is your target:

Are you going to scale into/out of the position:

Will you trail your kicks/stops:

When is their next earnings report:

How was there latest earnings report (most important did they report raised or lowered future guidance, this is more important than EPS beat or miss):

When is their ex dividend date if applicable:

The ATR (Average Trading Range):

The ATV (Average Trading Volume):

Important Levels on the Daily:

Short Interest in the Stock:

Game Plan

Ticker:	
Sector:	ATR:
Average Beta:	ATV:
Set up:	Spread:
Entry Price	Support:
Stop Loss:	Resistance:
Price Target:	KeyLevels:
Scale in/out:	Short Interest:
Will you trail:	
Next Earnings:	
Previous Earnings:	

Once you have posted this message your mentor so he can review your A+ setup and see if you're ready for Trading Psychology!

Message your mentor that you are ready for Step 6!

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